

J O U R N A L

One Hundred Seventy-First

ANNUAL COUNCIL

The Episcopal Diocese of Texas

Volume I

Waco Convention Center

Waco, Texas

February 7 – 8, 2020

THE EPISCOPAL DIOCESE OF TEXAS VISION DOCUMENT

MISSION STATEMENT

We are one Church reconciled by Jesus Christ, empowered by the Holy Spirit, called by God through worship, witness, and ministry, building the Kingdom of God together.

CORE VALUES

Grounded in our response to the Baptismal Covenant and Great Commission, the Churches, Schools, and Institutions of the Episcopal Diocese of Texas passionately hold these values:

Missionary Emphasis

Making Jesus Christ known with a missionary spirit that honors our heritage of growth and expansion

Education and Leadership

Forming disciples, both lay and clergy, to be effective agents of transformation

Meeting Human Needs

Bringing the love of Christ to a hurting world

Responsive Stewardship

Caring for and dedication of our abundant resources to support the mission of the Church

Excellence

Setting a standard for ministry driven by miraculous expectation

VISION

As followers of Jesus Christ, we are One Church within the Anglican Communion and The Episcopal Church. All are sought and embraced in worship, mission, and ministry in a spirit of mutual love and respect.

We are:

Youthful: Our congregations and institutions are continually renewed and revitalized through the infusion and inclusion of younger members. Children, youth, young adults, their friends and families, find in our diocese significant and engaging programs and ministries that inspire, inform, and support them on their Christian journey.

Multicultural: Our diocese is enriched through intentional efforts to reflect the communities in which we live. People of diverse ethnic, cultural, and socioeconomic backgrounds find respect, dignity, and opportunity in the life and ministry of the church.

Forming and Growing: Those seeking a deeper relationship with Jesus are nurtured and equipped to share the love of Christ in the world. They find lifelong opportunities for spiritual formation and servant leadership grounded in scripture and our historic catholic faith.

Reaching out to Serve: Those who serve and are served are transformed. People who are in need and who struggle, find hope, care, and restoration through the outreach and justice ministries provided by the people of the Episcopal Diocese of Texas.

One Church: We are a united, vibrant, healthy, and growing community of faith. The world will recognize us as Jesus' disciples because we love one another as Christ loves us.



DENA ARNALL HARRISON
Bishop Suffragan, Diocese of Texas, 2006-2019

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VOLUME I – REPORTS TO COUNCIL

FROM THE 170TH COUNCIL

UNFINISHED BUSINESS & CERTIFICATION OF MINUTES

I certify that there are no items of unfinished business remaining from the 170th Annual Council of the Episcopal Diocese of Texas. I also certify that the minutes (as contained in Volume II, *Journal of the 170th Council*) are a true and accurate account of the proceedings of that Council.

John A. Logan, Jr., Secretary

REGULAR COMMITTEES FOR THE 171ST COUNCIL (2020)

CONSTITUTION & CANONS (Term is from close of Annual Council at which appointment is made until close of the next Annual Council. Two Clergy and two Lay persons; ex-officio member is Chancellor.)

To 2020

Maria Boyce, St. Martin's, Houston (Chair)

Mr. Robert Sumners, St. David's, Austin

The Rev. Lillian Hyde, Retired EDOT Clergy; Interim, Christ the King, Alief

The Rev. Stanford Adams, Good Shepherd, Austin

Ex-officio: David Harvin, St. Martin's, Houston (Chancellor)

COUNCIL MANAGEMENT (Term is from close of Annual Council at which appointment is made until close of the next Annual Council. One Clergy, two Lay persons, member of Diocesan Staff; ex-officio members are: Chair of Committee for Dispatch of Business)

To 2020

The Rev. Chad Martin, St. Martin's, Houston (Clergy)

Nicholas S. Johnson, St. Stephen's, Hunstville (Lay Person)

The Rev. Canon Christine M. Faulstich, Diocese of Texas, Houston (Chair)(Staff)

Tammy Tiner, St. Thomas', College Station (Lay Person)

Ex-officio: The Rev. William "Bill" Fowler, St. Mark's, Austin (Chair for Dispatch of Business)

Ex-officio: Susan Duif, Trinity, Galveston (Prior General Chair of Host Committee)

Ex-officio: Rob Montgomery, St. Thomas', College Station (Prior General Chair of Host Committee)

Ex-officio: Mary Cloud, Trinity, Houston (Diocesan Council Coordinator)

DISPATCH OF BUSINESS (Term is from close of Annual Council at which appointment is made until close of the next Annual Council. One Clergy and three laypersons.)

To 2020

The Rev. William "Bill" Fowler, St. Paul's, Waco (Chair)

Oliver Chapin-Eiserloh, St. David's, Austin

Roger Smith, St. Thomas', College Station

Tammy Tiner, St. Thomas', College Station

NOMINATIONS (Term year is from close of Annual Council at which appointment is made until close of the next Annual Council. Each term is three years. No limitation on number of consecutive terms. Seven Clergy and seven lay persons, including Clergy Rep from Standing Comm, and Lay Rep from Exec Board, Chancellor.)

Standing Committee Representative: The Rev. Genevieve Razim

Executive Board Representative: Sandra Ward

Ex-officio: Mike Tomsu, Vice Chancellor (annual appointment)

To 2020

Maria Bautista, Houston Canterbury

Clark "Corky" Moore, Grace, Georgetown

To 2021

The Rev. Terry Pierce, St. James', Taylor

The Rev. Paulette Magnuson, Retired EDOT Clergy, Georgetown

Amber Zentis, Calvary, Richmond

To 2022

The Rev. Eileen O'Brien, St. James, Austin

The Rev. Lisa Neilson, St. Martin's, Houston (Chair)

Anthony Chapple, St. David's, Austin

RESOLUTIONS (Term is from close of Annual Council at which appointment is made until close of the next Annual Council. Two Clergy and two Lay persons.)

To 2020

The Rev. James "Jimmy" Grace, St. Andrew's, Houston (Chair)

The Rev. Janice Krause, St. Luke's on the Lake, Austin

Trey Yarbrough, Christ Church, Tyler

Andrew "Andy" Wisely, St. Alban's, Waco

SUPERVISORS AND TELLERS (Term is from close of Annual Council at which appointment is made until close of the next Annual Council. Two Clergy and three lay persons.)

To 2020

Linda Gray, St. Francis, Tyler

The Rev. Madeline S. Hawley, St. Christopher's, Austin (Chair)

The Rev. Billy Tweedie, Resurrection, Austin

Anna Stevenson, St. Aidan's, Cypress

Lay Member - to be appointed

STANDING COMMITTEES OF THE COUNCIL

Pre-Council Report of the COMMITTEE FOR CONSTITUTION & CANONS to the 171st Council

(Type of Proposal)	(No. of Proposals)
A - Constitutional proposals, 2nd reading:	0
B - Constitutional proposals, 1st reading:	1
C - Canonical proposals:	3

A. CONSTITUTIONAL AMENDMENTS

(Presented for second reading requiring 2/3rds majority approval from each Order)

The Executive Board has withdrawn its proposed amendment to Article 2, Section 2.2, which was presented for a first reading during the 170th Council.

B. CONSTITUTIONAL AMENDMENTS

(Presented for publication on first reading)

Article 2 THE COUNCIL

EXISTING:

Section 2.5 Attendance

It is hereby declared to be the duty of every member of the Clergy entitled to a seat to attend the Council; and of every Parish and Mission to send one or more delegates. Each Parish or Mission is expected to make suitable provision, either by collection or otherwise, for the expense of the Clergy in fulfilling the above required duty.

PROPOSED:

Section 2.5 Attendance

It is hereby declared to be the duty of every member of the Clergy entitled to a seat to attend the Council; and of every Parish and Mission to send one or more delegates. Each Parish or Mission is expected to make suitable provision, either by collection or otherwise, for the expense of the Clergy and lay delegates in fulfilling the above required duty.

IF AMENDED:

Section 2.5 Attendance

It is hereby declared to be the duty of every member of the Clergy entitled to a seat to attend the Council; and of every Parish and Mission to send one or more delegates. Each Parish or Mission is expected to make suitable provision, either by collection or otherwise, for the expense of the Clergy and lay delegates in fulfilling the above required duty.

SUBMITTED BY: The Executive Board

RATIONALE (by the Executive Board): Our Baptismal Covenant calls us to “strive for justice” and it is just, fair, and equitable for congregations to also cover the expenses of lay delegates who fulfill the required duty of attending Council. This amendment would permit lay people to serve as delegates who otherwise would not because of financial reasons.

THE COMMITTEE RECOMMENDS THIS PROPOSAL FOR A FIRST READING.

C. CANONICAL AMENDMENTS

TITLE I

ORGANIZATIONS, POWERS, AND PROCEDURES OF COUNCIL

Canon 2

THE DISPATCH OF BUSINESS FOR COUNCIL

EXISTING:

Section 2.1 The Dispatch of Business

- (a) Council shall open with Divine service.
- (b) All business of Council shall be presented by or through any officer of the Diocese, any member of the Executive Board, any of the regular committees of Council, or as specified by this Canon.
- (c) The regular committees of Council shall be the following, and such other regular committees as the Council may hereafter create by Canon:
 - (1) Dispatch of Business
 - (2) Constitution and Cannons
 - (3) Nominations
 - (4) Supervisors and Tellers
 - (5) Resolutions
 - (6) Council Management
- (d) All regular committees appointed shall hold office from the close of the Annual Council at which their appointment is made until the close of the next Annual Council.

- (e) The Committee for Dispatch of Business shall consist of one member of the Clergy and three (3) laypersons. This Committee shall present a report outlining the procedure of Council, with a copy of the Canon entitled The Dispatch of Business for Council. This report may include changes in the procedure of Council set forth in this Canon, when considered advisable in order to facilitate the business of the Council. Such report, if approved by Council, shall be recognized in conducting the business of Council.
- (f) The Committee for Constitution and Canons shall consist of two members of the Clergy, two laypersons, and the Chancellor, who shall be an exofficio member. It shall be the duty of this Committee to receive every proposed change, alteration, or new Article of the Constitution or Canons of the Diocese, submitted to the secretary or chair of the Committee for Constitution and Canons by November 15 prior to the next Annual Council. It shall be the duty of this Committee to change the wording of such proposals to conform to the Constitution and Canons of the Diocese. It shall be the privilege of the Committee to evaluate these proposals and recommend their adoption or rejection. The action of this Committee will be published in Volume I of the Journal.
- (g) The Committee for Nominations shall consist of seven members of the clergy and seven laypersons whose selection and duties are outlined in the Canons of the Diocese, and the Chancellor of the Diocese, or in the event of the Chancellor's inability to serve, a Vice-Chancellor of the Diocese.
- (h) The Committee for Supervisors and Tellers shall consist of two members of the Clergy and three lay persons. It shall be the duty of this Committee to secure such additional help from members of Council or responsible persons not members of Council to distribute, collect, and count the ballots or to supervise the voting in case voting machines are used.
- (i) The Committee for Resolutions shall consist of two members of the Clergy and two laypersons. It shall be the duty of this Committee to receive resolutions presented to it in writing by any member of the forthcoming or last preceding Council, or by any committee or board not responsible for the dispatch of business of Council, provided these resolutions, along with any explanation of the rationale for the proposed resolutions, are mailed or attached to emails directed to the Chair of the Committee. Unless the Bishop of the Diocese grants an exception, all resolutions must be submitted to the Committee not later than November 15 preceding the next Annual Council, but this shall not limit relevant amendments to any such resolution from the Council floor. The Committee may require all resolutions to be submitted in a standardized format and shall make such change of wording as is necessary for such resolutions to conform to proper usage and understanding. The Committee will inform the mover of any changes made. The Committee shall have the right to evaluate all resolutions and to recommend their adoption or rejection. The Committee shall have the right to rank the resolutions in an order of importance as determined by the Committee and present them to Council in that order. The Committee may

request discharge from consideration by Council of resolutions that would seek similar action to that of a resolution previously considered. A two-thirds vote shall be required to adopt any resolutions submitted to Council pursuant to an exception granted by the Bishop of the Diocese. The action of this Committee will be published in Volume I of the Journal. It shall also be the duty of this Committee to implement and set in motion the suggestions and directions contained in the Bishop's Address to Council. Those matters, which come within the purview of jurisdiction of any particular Committee of Council, shall be referred to the appropriate Committee for action.

- (j) The Committee for Council Management shall consist of one member of the Clergy, two laypersons, a member of the Diocesan Staff, and the following ex-officio members: the General Chairs of the host committee for the current and the immediately preceding Councils, and Chair of the Committee for the Dispatch of Business. It shall be the duty of the Committee to assist the Bishop in: (1) developing and maintaining a Council Manual, consisting of detailed descriptions of each principal activity of Council, to serve as guidance for future Council Host Committees; (2) developing record keeping requirements and formats for Council Host Committees; (3) locating and securing appropriate sites for Council; and (4) making recommendations to the Executive Board and Committee for Dispatch of Business concerning changes in the organization of Council that would better facilitate the business of Council.

PROPOSED:

Section 2.1 The Dispatch of Business

- (a) Council shall open with Divine service.
- (b) All business of Council shall be presented by or through any officer of the Diocese, any member of the Executive Board, any of the regular committees of Council, or as specified by this Canon.
- (c) The regular committees of Council shall be the following, and such other regular committees as the Council may hereafter create by Canon:
 - (1) Dispatch of Business
 - (2) Constitution and Canons
 - (3) Nominations
 - (4) Supervisors and Tellers
 - (5) Resolutions
 - (6) Council Management
 - (7) Budget

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- (e) The Committee for Dispatch of Business shall consist of one member of the Clergy and three (3) laypersons. This Committee shall present a report outlining the procedure of Council, with a copy of the Canon entitled The Dispatch of Business for Council. This report may include changes in the procedure of Council set forth in this Canon, when considered advisable in order to facilitate the business of the Council. Such report, if approved by Council, shall be recognized in conducting the business of Council.
- (f) The Committee for Constitution and Canons shall consist of two members of the Clergy, two laypersons, and the Chancellor, who shall be an exofficio member. It shall be the duty of this Committee to receive every proposed change, alteration, or new Article of the Constitution or Canons of the Diocese, submitted to the secretary or chair of the Committee for Constitution and Canons by November 15 prior to the next Annual Council. It shall be the duty of this Committee to change the wording of such proposals to conform to the Constitution and Canons of the Diocese. It shall be the privilege of the Committee to evaluate these proposals and recommend their adoption or rejection. The action of this Committee will be published in Volume I of the Journal.
- (g) The Committee for Nominations shall consist of seven members of the clergy and seven laypersons whose selection and duties are outlined in the Canons of the Diocese, and the Chancellor of the Diocese, or in the event of the Chancellor's inability to serve, a Vice-Chancellor of the Diocese.
- (h) The Committee for Supervisors and Tellers shall consist of two members of the Clergy and three lay persons. It shall be the duty of this Committee to secure such additional help from members of Council or responsible persons not members of Council to distribute, collect, and count the ballots or to supervise the voting in case voting machines are used.
- (i) The Committee for Resolutions shall consist of two members of the Clergy and two laypersons. It shall be the duty of this Committee to receive resolutions presented to it in writing by any member of the forthcoming or last preceding Council, or by any committee or board not responsible for the dispatch of business of Council, provided these resolutions, along with any explanation of the rationale for the proposed resolutions, are mailed or attached to emails directed to the Chair of the Committee. Unless the Bishop of the Diocese grants an exception, all resolutions must be submitted to the Committee not later than November 15 preceding the next Annual Council, but this shall not limit relevant amendments to any such resolution from the Council floor. The Committee may require all resolutions to be submitted in a standardized format and shall make such change of wording as is necessary for such resolutions to conform to proper usage and understanding. The Committee will inform the mover of any changes made. The Committee shall have the right to evaluate all resolutions

and to recommend their adoption or rejection. The Committee shall have the right to rank the resolutions in an order of importance as determined by the Committee and present them to Council in that order. The Committee may request discharge from consideration by Council of resolutions that would seek similar action to that of a resolution previously considered. A two-thirds vote shall be required to adopt any resolutions submitted to Council pursuant to an exception granted by the Bishop of the Diocese. The action of this Committee will be published in Volume I of the Journal. It shall also be the duty of this Committee to implement and set in motion the suggestions and directions contained in the Bishop's Address to Council. Those matters, which come within the purview of jurisdiction of any particular Committee of Council, shall be referred to the appropriate Committee for action.

- (j) The Committee for Council Management shall consist of one member of the Clergy, two laypersons, a member of the Diocesan Staff, and the following ex-officio members: the General Chairs of the host committee for the current and the immediately preceding Councils, and Chair of the Committee for the Dispatch of Business. It shall be the duty of the Committee to assist the Bishop in: (1) developing and maintaining a Council Manual, consisting of detailed descriptions of each principal activity of Council, to serve as guidance for future Council Host Committees; (2) developing record keeping requirements and formats for Council Host Committees; (3) locating and securing appropriate sites for Council; and (4) making recommendations to the Executive Board and Committee for Dispatch of Business concerning changes in the organization of Council that would better facilitate the business of Council.
- (k) The Committee for Budget shall consist of one member of the Clergy, two laypersons, the Treasurer, and the Finance Committee Chair. It shall be the duty of the Committee to receive proposed adjustments to the Budget that shall be presented and reviewed at Annual Council. It shall be the privilege of the Committee to evaluate these proposals and to recommend their adoption or rejection. Proposals for adjustments to the budget shall be submitted no later than the Monday prior to Annual Council. No amendment increasing expenditures shall be accepted without identifying revenue or a related decrease in expenditures to be used as a source of funding that amendment. The Committee shall report on each of the proposed adjustments received and its evaluation of each proposal.

IF AMENDED:

Section 2.1 The Dispatch of Business

- (a) Council shall open with Divine service.
- (b) All business of Council shall be presented by or through any officer of the Diocese, any member of the Executive Board, any of the regular committees of Council, or as specified by this Canon.

- (c) regular committees of Council shall be the following, and such other regular committees as the Council may hereafter create by Canon:
 - (1) Dispatch of Business
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 - (3) Nominations
 - (4) Supervisors and Tellers
 - (5) Resolutions
 - (6) Council Management
 - (7) Budget
- (d) All regular committees appointed shall hold office from the close of the Annual Council at which their appointment is made until the close of the next Annual Council.
- (e) The Committee for Dispatch of Business shall consist of one member of the Clergy and three (3) laypersons. This Committee shall present a report outlining the procedure of Council, with a copy of the Canon entitled The Dispatch of Business for Council. This report may include changes in the procedure of Council set forth in this Canon, when considered advisable in order to facilitate the business of the Council. Such report, if approved by Council, shall be recognized in conducting the business of Council.
- (f) The Committee for Constitution and Canons shall consist of two members of the Clergy, two laypersons, and the Chancellor, who shall be an exofficio member. It shall be the duty of this Committee to receive every proposed change, alteration, or new Article of the Constitution or Canons of the Diocese, submitted to the secretary or chair of the Committee for Constitution and Canons by November 15 prior to the next Annual Council. It shall be the duty of this Committee to change the wording of such proposals to conform to the Constitution and Canons of the Diocese. It shall be the privilege of the Committee to evaluate these proposals and recommend their adoption or rejection. The action of this Committee will be published in Volume I of the Journal.
- (g) The Committee for Nominations shall consist of seven members of the clergy and seven laypersons whose selection and duties are outlined in the Canons of the Diocese, and the Chancellor of the Diocese, or in the event of the Chancellor's inability to serve, a Vice-Chancellor of the Diocese.
- (h) The Committee for Supervisors and Tellers shall consist of two members of the Clergy and three lay persons. It shall be the duty of this Committee to secure such additional help from members of Council or responsible persons not

members of Council to distribute, collect, and count the ballots or to supervise the voting in case voting machines are used.

- (i) The Committee for Resolutions shall consist of two members of the Clergy and two laypersons. It shall be the duty of this Committee to receive resolutions presented to it in writing by any member of the forthcoming or last preceding Council, or by any committee or board not responsible for the dispatch of business of Council, provided these resolutions, along with any explanation of the rationale for the proposed resolutions, are mailed or attached to emails directed to the Chair of the Committee. Unless the Bishop of the Diocese grants an exception, all resolutions must be submitted to the Committee not later than November 15 preceding the next Annual Council, but this shall not limit relevant amendments to any such resolution from the Council floor. The Committee may require all resolutions to be submitted in a standardized format and shall make such change of wording as is necessary for such resolutions to conform to proper usage and understanding. The Committee will inform the mover of any changes made. The Committee shall have the right to evaluate all resolutions and to recommend their adoption or rejection. The Committee shall have the right to rank the resolutions in an order of importance as determined by the Committee and present them to Council in that order. The Committee may request discharge from consideration by Council of resolutions that would seek similar action to that of a resolution previously considered. A two-thirds vote shall be required to adopt any resolutions submitted to Council pursuant to an exception granted by the Bishop of the Diocese. The action of this Committee will be published in Volume I of the Journal. It shall also be the duty of this Committee to implement and set in motion the suggestions and directions contained in the Bishop's Address to Council. Those matters, which come within the purview of jurisdiction of any particular Committee of Council, shall be referred to the appropriate Committee for action.
- (j) The Committee for Council Management shall consist of one member of the Clergy, two laypersons, a member of the Diocesan Staff, and the following ex-officio members: the General Chairs of the host committee for the current and the immediately preceding Councils, and Chair of the Committee for the Dispatch of Business. It shall be the duty of the Committee to assist the Bishop in: (1) developing and maintaining a Council Manual, consisting of detailed descriptions of each principal activity of Council, to serve as guidance for future Council Host Committees; (2) developing record keeping requirements and formats for Council Host Committees; (3) locating and securing appropriate sites for Council; and (4) making recommendations to the Executive Board and Committee for Dispatch of Business concerning changes in the organization of Council that would better facilitate the business of Council.
- (k) The Committee for Budget shall consist of one member of the Clergy, two laypersons, the Treasurer, and the Finance Committee Chair. It shall be the duty of the Committee to receive proposed adjustments to the Budget that shall be presented and reviewed at Annual Council. It shall be the privilege of the Committee to evaluate these proposals and to recommend their adoption or

rejection. Proposals for adjustments to the budget shall be submitted no later than the Monday prior to Annual Council. No amendment increasing expenditures shall be accepted without identifying revenue or a related decrease in expenditures to be used as a source of funding that amendment. The Committee shall report on each of the proposed adjustments received and its evaluation of each proposal.

SUBMITTED BY: The Executive Board

RATIONALE (by the Executive Board): The purpose of this amendment is to create an additional avenue for Council delegates to engage with the diocesan budget and the process of making the diocesan budget. Currently, Council participates by electing members of the Executive Board and all the boards of the Diocese who play a part in shaping the budget. This change would create a Budget Standing Committee of Council that would review proposed adjustments to the budget in advance of Council and report on those proposals before and during Council.

THE COMMITTEE RECOMMENDS THE ADOPTION OF THIS PROPOSAL.

TITLE V ENDOWMENTS, INSTITUTIONS, AND FOUNDATIONS

Canon 5 EPISCOPAL HEALTH FOUNDATION

EXISTING:

Section 5.4 Bylaws and Officers

The Board of Directors shall adopt Bylaws for the Foundation. Subject to the provisions of Title II.1.9, the Bishop shall be Chair of the Board of Directors. The Chair shall appoint from the members of the Board who are Episcopalians an Executive Chair, whose duties and responsibilities shall be as set forth in the Bylaws. The Board shall also elect an Executive Director, who shall be the president and chief executive officer of the Foundation, a Secretary, a Treasurer, and such other officers as the Foundation's Bylaws may authorize. The officers, other than the Chair, shall hold office for one year or until their successors are duly elected.

PROPOSED:

Section 5.4 Bylaws and Officers

The Board of Directors shall adopt Bylaws for the Foundation. Subject to the provisions of Title II.1.9, the Bishop shall be Chair of the Board of Directors. The Chair shall appoint from the members of the Board who are Episcopalians an Executive Chair, whose duties and responsibilities shall be as set forth in the Bylaws. At the request of the Chair, a member of the Board serving as Executive Chair who would otherwise be term-limited under Section 5.3 above may be elected to serve one additional three-year term. The Board shall also elect an Executive Director, who shall be the president and chief executive officer of the Foundation,

a Secretary, a Treasurer, and such other officers as the Foundation's Bylaws may authorize. The officers, other than the Chair, shall hold office for one year or until their successors are duly elected.

IF AMENDED:

Section 5.4 Bylaws and Officers

The Board of Directors shall adopt Bylaws for the Foundation. Subject to the provisions of Title II.1.9, the Bishop shall be Chair of the Board of Directors. The Chair shall appoint from the members of the Board who are Episcopalians an Executive Chair, whose duties and responsibilities shall be as set forth in the Bylaws. At the request of the Chair, a member of the Board serving as Executive Chair who would otherwise be term-limited under Section 5.3 above may be elected to serve one additional three-year term. The Board shall also elect an Executive Director, who shall be the president and chief executive officer of the Foundation, a Secretary, a Treasurer, and such other officers as the Foundation's Bylaws may authorize. The officers, other than the Chair, shall hold office for one year or until their successors are duly elected.

Submitted by: The Chair and the Board of Directors of Episcopal Health Foundation

Rationale (by the Submitters): The purpose of this amendment is to facilitate succession in the position of Executive Chair. It gives the Chair the flexibility to select as a successor Executive Chair a member who has already served on the Board for a number of years and is thereby familiar with the work of the Foundation—and not have that successor Executive Chair's period of useful service cut short by the term limits otherwise applicable to Board members. It does, however, limit the successor Executive Chair to one additional three-year term.

THE COMMITTEE RECOMMENDS THE ADOPTION OF THIS PROPOSAL.

Canon 12
EL BUEN SAMARITANO EPISCOPAL MISSION

EXISTING:

Section 12.2 Directors and Powers

The management of the affairs of El Buen Samaritano Episcopal Mission shall be conducted by a Board of Directors of not fewer than 15 nor more than 18 elected members, in addition to the Bishop of the Diocese and the Bishop Coadjutor, if there be one, and any Suffragan or Assistant Bishop of the Diocese assigned to the Board by the Bishop, and one additional person who may be appointed by the Bishop as the Bishop's designee, each of whom shall be an ex-officio member. All members of the Board shall be at least 18 years of age. A majority of each Board shall be confirmed communicants in good standing of this Diocese. The Board of Directors shall have full power and authority to manage, equip, maintain, and operate El Buen Samaritano Episcopal Mission on its own financial responsibility in accordance with the Constitution and Canons of the Diocese.

Section 12.3 Selection of Board – Elections – Vacancies

The first Board of Directors shall be appointed by the Bishop and shall serve until the next Annual Council, at which Council one-third of the elected members shall be elected to serve three years, one-third of the elected members shall be elected to serve two years, and one-third of the elected members shall be elected to serve one year. At each Annual Council thereafter, one-third of the elected members shall be elected for full terms of three years each and any vacancies shall be filled. All elections shall be upon nomination by the Bishop. Directors whose terms are to expire shall be eligible for re-election to the Board of Directors. The Board of Directors may fill any vacancies that occur until the next Annual Council.

PROPOSED:

Section 12.2 Directors and Powers

The management of the affairs of El Buen Samaritano Episcopal Mission shall be conducted by a Board of Directors of not fewer than ~~45~~ 12 nor more than ~~48~~ 15 elected members, in addition to the Bishop of the Diocese and the Bishop Coadjutor, if there be one, and any Suffragan or Assistant Bishop of the Diocese assigned to the Board by the Bishop, and one additional person who may be appointed by the Bishop as the Bishop's designee, each of whom shall be an ex-officio member. All members of the Board shall be at least 18 years of age. A majority of each Board shall be confirmed communicants in good standing of this Diocese. The Board of Directors shall have full power and authority to manage, equip, maintain, and operate El Buen Samaritano Episcopal Mission on its own financial responsibility in accordance with the Constitution and Canons of the Diocese.

Section 12.3 Selection of Board – Elections – Vacancies

The first Board of Directors shall be appointed by the Bishop and shall serve until the next Annual Council, at which Council one-third of the elected members shall be elected to serve three years, one-third of the elected members shall be elected to serve two years, and one-third of the elected members shall be elected to serve one year. At each Annual Council thereafter, one-third of the elected members shall be elected for full terms of three years each and any vacancies shall be filled. All elections shall be upon nomination by the Bishop. Directors whose terms are to expire shall be eligible for re-election to the Board of Directors for two (2) additional terms of three (3) years, after which such person may not be re-nominated for at least one (1) year. The Board of Directors may fill any vacancies that occur until the next Annual Council.

IF AMENDED:

Section 12.2 Directors and Powers

The management of the affairs of El Buen Samaritano Episcopal Mission shall be conducted by a Board of Directors of not fewer than 12 nor more than 15 elected members, in addition to the Bishop of the Diocese and the Bishop Coadjutor, if there be one, and any Suffragan or Assistant Bishop of the Diocese assigned to the Board by the Bishop, and one additional person who may be appointed by the Bishop as the Bishop's designee, each of

whom shall be an ex-officio member. All members of the Board shall be at least 18 years of age. A majority of each Board shall be confirmed communicants in good standing of this Diocese. The Board of Directors shall have full power and authority to manage, equip, maintain, and operate El Buen Samaritano Episcopal Mission on its own financial responsibility in accordance with the Constitution and Canons of the Diocese.

Section 12.3 Selection of Board – Elections – Vacancies

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SUBMITTED BY: Board of Directors, El Buen Samaritano Episcopal Mission

RATIONALE (by the Submitters): The purpose of the proposed changes to sections 12.2 and 12.3 is to add governance provisions for Board size and term limits consistent with the other Diocesan institutions.

THE COMMITTEE RECOMMENDS THE ADOPTION OF THIS PROPOSAL.

Maria Boyce, Chair

COMMITTEE ON NOMINATIONS

Nominations for Diocesan Council 2020

Treasurer of the Diocese (1)

Linda Riley Mitchell, lay, Trinity, Houston

Secretary of the Diocese (1)

The Rev. Canon John Logan, clergy, Episcopal Diocese of Texas, Houston

Standing Committee (1 lay, 1 presbyter)

The Rev. Jimmy Abbott, clergy, Holy Comforter, Spring

The Rev. Michele Bonner, clergy, SoCo Episcopal Community, Austin

The Rev. Meredith Crigler, clergy, Trinity, Baytown

Bill Carberry, lay, Christ Church, Temple

Ellen Eby, lay, Holy Comforter, Angleton

Randall Redd, lay, Trinity, The Woodlands

John Williams, lay, St. John's, Austin

KT Zaharia, lay, Good Shepherd Episcopal Indian Church, Stafford

Executive Board (3 lay, 2 clergy)

The Rev. George McGavern, clergy, Good Shepherd, Tomball
The Rev. Scott Painter, clergy, Grace, Houston
The Rev. Rhonda Rogers, clergy, St. Francis of Assisi, Prairie View
The Rev. Mitch Tollett, clergy, St. Francis, Tyler
The Rev. Roy Varghese, clergy, Good Shepherd Episcopal Indian Church, Stafford
The Rev. Justin Yawn, clergy, St. Luke's on the Lake, Austin
Anthony Chapple, lay, St. David's, Austin
Mark Duncan, lay, Calvary, Richmond
Diana Hineman, lay, St. Cyprian's, Lufkin
James McCulloch, lay, St. Martin's, Houston
Bob Richter, lay, Christ Church Cathedral, Houston
Gary Underwood, lay, Trinity, The Woodlands

Trustee of the Church Corporation (1 lay or clergy)

The Rev. Sharron Cox, clergy, St. Mary's, West Columbia
Lee Leaman, lay, St. Mark's, Richmond
Jolynn Free, lay, All Saints, Austin

Trustee of the University of the South (1 clergy)

The Rev. Michael Caldwell, clergy, Christ Episcopal Church, Nacogdoches
The Rev. David Goldberg, clergy, Iglesia San Pedro, Pasadena
The Rev. Stephen Spicer, clergy, Christ Church, Eagle Lake

Trustee of the University of the South- 1year term (1 lay)

Dan Bradley, lay, Trinity, The Woodlands
Kristine Devine, lay, St. David's, Austin

Deputy to General Convention (4 Clergy, 4 Lay)

The Rev. Christine Faulstich, clergy, Palmer Memorial, Houston
The Rev. Pedro Lopez, clergy, San Pedro/St. Peter's, Pasadena
The Rev. Bertie Pearson, clergy, Grace, Georgetown
The Rev. Samantha Smith, clergy, St. Mark's, Houston
The Rev. Sean Steele, clergy, St. Isidore, Spring
The Rev. Edward Thompson, clergy, Trinity, Galveston
The Rev. Chuck Treadwell, clergy, St. David's, Austin
The Rev. Justin Yawn, clergy, St. Luke's on the Lake, Austin
Katie Balke, lay, St. Stephen's, Beaumont
Lee Crawford, lay, St. Michael's, Austin
Scott Madison, lay, St. James', Austin
Bruce McDonald, lay, Christ Church Cathedral, Houston
Darling Membreño, lay, St. Mary Magdalene, Manor
Caleb Parker, lay, Episcopal Student Center, Austin
Linda Patterson, lay, St. Andrew's, Bryan
Hayden Paul, lay, St. Andrew's, Bryan
Frederick Roberts, lay, St. Francis of Assisi, Prairie View

Lisa Neilson, Chair

COMMITTEE ON RESOLUTIONS

The Committee received no resolutions for consideration at the 171st Council of the Episcopal Diocese of Texas.

Courtesy Resolutions of the 170th Annual Council of the Episcopal Diocese of Texas

Greetings to the Episcopal Diocese of West Texas

WHEREAS, the Council of the Episcopal Diocese of Texas in 1874 asked the General Convention to assume jurisdiction over “that portion of the state generally known as ‘Western Texas,’” for the purpose of forming the Missionary Diocese of West Texas; and

WHEREAS, during its 144-year life, the Episcopal Diocese of West Texas has been a blessing on all people within its jurisdiction, providing for the church gifted spiritual leaders and caring pastors; therefore be it

RESOLVED, that the 171st Council of the Episcopal Diocese of Texas, the Mother Church, sends its greetings and blessings to the bishops, clergy and people of the Episcopal Diocese of West Texas, giving thanks for our continued partnership in the proclamation of the Good News of Jesus Christ.

Greetings to the Episcopal Diocese of Arkansas

WHEREAS, the Episcopal Diocese of Texas is a member of the worldwide Anglican Communion, and more particularly, of the Episcopal Church and Province VII of this Church; and

WHEREAS, the Episcopal Diocese of Texas values its membership in these bodies and its place in the wider ministry of Christ’s Church; therefore be it

RESOLVED, that the 171st Council of the Diocese of Texas, assembled in Waco, Texas, instructs the Secretary of the Council to send greetings to The Rt. Rev. Larry R. Benfield, Bishop of Episcopal Diocese of Arkansas.

Greetings to the Episcopal Diocese of Dallas

WHEREAS, the Episcopal Diocese of Texas is a member of the worldwide Anglican Communion, and more particularly, of the Episcopal Church and Province VII of this Church; and

WHEREAS, the Episcopal Diocese of Texas values its membership in these bodies and its place in the wider ministry of Christ’s Church; therefore be it

RESOLVED, that the 171st Council of the Episcopal Diocese of Texas, assembled in Waco, Texas, instructs the Secretary of the Council to send greetings to The Rt. Rev. George R. Sumner, Bishop of Episcopal Diocese of Dallas.

Greetings to the Episcopal Diocese of Fort Worth

WHEREAS, the Episcopal Diocese of Texas is a member of the worldwide Anglican Communion, and more particularly, of the Episcopal Church and Province VII of this Church; and

WHEREAS, the Episcopal Diocese of Texas values its membership in these bodies and its place in the wider ministry of Christ's Church; therefore be it

RESOLVED, that the 171st Council of the Episcopal Diocese of Texas, assembled in Waco, Texas, instructs the Secretary of the Council to send greetings to The Rt. Rev. James Scott Mayer, Bishop of the Episcopal Diocese of Fort Worth.

Greetings to the Episcopal Diocese of Kansas

WHEREAS, the Episcopal Diocese of Texas is a member of the worldwide Anglican Communion, and more particularly, of the Episcopal Church and Province VII of this Church; and

WHEREAS, the Episcopal Diocese of Texas values its membership in these bodies and its place in the wider ministry of Christ's Church; therefore be it

RESOLVED, that the 171st Council of the Episcopal Diocese of Texas, assembled in Waco, Texas, instructs the Secretary of the Council to send greetings to the The Rt. Rev. Cathleen Chittenden Bascom, Bishop of the Episcopal Diocese of Kansas.

Greetings to the Episcopal Diocese of Northwest Texas

WHEREAS, the Episcopal Diocese of Texas is a member of the worldwide Anglican Communion, and more particularly, of the Episcopal Church and Province VII of this Church; and

WHEREAS, the Episcopal Diocese of Texas values its membership in these bodies and its place in the wider ministry of Christ's Church; therefore be it

RESOLVED, that the 171st Council of the Episcopal Diocese of Texas, assembled in Waco, Texas, instructs the Secretary of the Council to send greetings to The Rt. Rev. James Scott Mayer, Bishop of the Episcopal Diocese of Northwest Texas.

Greetings to the Episcopal Diocese of Oklahoma

WHEREAS, the Episcopal Diocese of Texas is a member of the worldwide Anglican Communion, and more particularly, of the Episcopal Church and Province VII of this Church; and

WHEREAS, the Episcopal Diocese of Texas values its membership in these bodies and its place in the wider ministry of Christ's Church; therefore be it

RESOLVED, that the 171st Council of the Episcopal Diocese of Texas, assembled in Waco, Texas, instructs the Secretary of the Council to send greetings to The Rt. Rev. Dr. Edward J. Konieczny, Bishop of the Episcopal Diocese of Oklahoma.

Greetings to the Episcopal Diocese of the Rio Grande

WHEREAS, the Episcopal Diocese of Texas is a member of the worldwide Anglican Communion, and more particularly, of the Episcopal Church and Province VII of this Church; and

WHEREAS, the Episcopal Diocese of Texas values its membership in these bodies and its place in the wider ministry of Christ's Church; therefore be it

RESOLVED, that the 171st Council of the Episcopal Diocese of Texas, assembled in Waco, Texas, instructs the Secretary of the Council to send greetings to The Rt. Rev. Michael Buerkel Hunn, Bishop of the Episcopal Diocese of the Rio Grande.

Greetings to the Episcopal Diocese of West Missouri

WHEREAS, the Episcopal Diocese of Texas is a member of the worldwide Anglican Communion, and more particularly, of the Episcopal Church and Province VII of this Church; and

WHEREAS, the Episcopal Diocese of Texas values its membership in these bodies and its place in the wider ministry of Christ's Church; therefore be it

RESOLVED, that the 171st Council of the Episcopal Diocese of Texas, assembled in Waco, Texas, instructs the Secretary of the Council to send greetings to The Rt. Rev. Martin S. Field, Bishop of the Episcopal Diocese of West Missouri.

Greetings to the Episcopal Diocese of West Texas

WHEREAS, the Episcopal Diocese of Texas is a member of the worldwide Anglican Communion, and more particularly, of the Episcopal Church and Province VII of this Church; and

WHEREAS, the Episcopal Diocese of Texas values its membership in these bodies and its place in the wider ministry of Christ's Church; therefore be it

RESOLVED, that the 171st Council of the Episcopal Diocese of Texas, assembled in Waco, Texas, instructs the Secretary of the Council to send greetings to The Rt. Rev. David Reed, Bishop of the Episcopal Diocese of West Texas.

Greetings to the Episcopal Diocese of Western Kansas

WHEREAS, the Episcopal Diocese of Texas is a member of the worldwide Anglican Communion, and more particularly, of the Episcopal Church and Province VII of this Church; and

WHEREAS, the Episcopal Diocese of Texas values its membership in these bodies and its place in the wider ministry of Christ's Church; therefore be it

RESOLVED, that the 171st Council of the Episcopal Diocese of Texas, assembled in Waco, Texas, instructs the Secretary of the Council to send greetings to The Rt. Rev. Mark Andrew Cowell, Bishop of the Episcopal Diocese of Western Kansas.

Greetings to the Episcopal Diocese of Western Louisiana

WHEREAS, the Episcopal Diocese of Texas is a member of the worldwide Anglican Communion, and more particularly, of the Episcopal Church and Province VII of this Church; and

WHEREAS, the Episcopal Diocese of Texas values its membership in these bodies and its place in the wider ministry of Christ's Church; therefore be it

RESOLVED, that the 171st Council of the Episcopal Diocese of Texas, assembled in Waco, Texas, instructs the Secretary of the Council to send greetings to The Rt. Rev. Jacob W. Owensby, Bishop of the Episcopal Diocese of Western Louisiana.

Greetings to the Episcopal Diocese of North Dakota

WHEREAS, the Episcopal Diocese of Texas is a member of the worldwide Anglican Communion, and more particularly, a companion diocese with said diocese; and

WHEREAS, the Episcopal Diocese of Texas values mutually transformative, long-lasting relationships that cross cultural and geographic boundaries for the sake of the wider ministry of Christ's Church; therefore be it

RESOLVED, that the 171st Council of the Episcopal Diocese of Texas, assembled in Waco, Texas, instructs the Secretary of the Council to send greetings to the Standing Committee of the Episcopal Diocese of North Dakota.

Greetings to the Anglican Diocese of Southern Malawi

WHEREAS, the Episcopal Diocese of Texas is a member of the worldwide Anglican Communion, and more particularly, a companion diocese with said diocese; and

WHEREAS, the Episcopal Diocese of Texas values mutually transformative, long-lasting relationships that cross cultural and geographic boundaries for the sake of the wider ministry of Christ's Church; therefore be it

RESOLVED, that the 171st Council of the Episcopal Diocese of Texas, assembled in Waco, Texas, instructs the Secretary of the Council to send greetings to The Rt. Rev. Alinafe Kalemba of the Anglican Diocese of Southern Malawi.

Greetings to La Iglesia Episcopal Costarricense

WHEREAS, the Episcopal Diocese of Texas is a member of the worldwide Anglican Communion, and more particularly, a companion diocese with said diocese; and

WHEREAS, the Episcopal Diocese of Texas values mutually transformative, long-lasting relationships that cross cultural and geographic boundaries for the sake of the wider ministry of Christ's Church; therefore be it

RESOLVED, that the 171st Council of the Episcopal Diocese of Texas, assembled in Waco, Texas, instructs the Secretary of the Council to send greetings to The Rt. Rev. Orlando Gómez Segura of La Iglesia Episcopal Costarricense.

Greetings to Seminarians and Iona Students

WHEREAS, the Episcopal Diocese of Texas currently has fourteen seminarians preparing for Holy Orders attending the Seminary of the Southwest, Virginia Theological Seminary, Duke Divinity, Yale Divinity, and Sewanee School of Theology, as well as nineteen students preparing for Holy Orders attending the Iona School for Ministry; therefore be it

RESOLVED, that the Secretary of the Diocese be requested to write each student to convey to him or her the best wishes of the 171st Annual Council of the Episcopal Diocese of Texas and a reminder that each has been remembered in the prayers of the Council.

On the Retirement of Clergy

WHEREAS, the Reverends Robert Bliss, John Carr, John Himes, Ronald Pogue,

Merrill Wade, Paul Wehner, and Portia Sweet have faithfully served the Church and this diocese through their ministries in parishes, institutions, and boards; and

WHEREAS, these clergy retired from the active ministry during 2019; and

WHEREAS, the Episcopal Diocese of Texas has been richly blessed by their gifts in the service of our Lord; therefore be it

RESOLVED, that the 171st Council of the Episcopal Diocese of Texas gives glory to God for their faithful witness and wishes them well in this new stage of life in Christ.

On the Retirement of Diocesan Staff

WHEREAS Julie Heath and Laura Krustchinsky, Nick Puccio, and Francene Young have faithfully served the Episcopal Diocese of Texas through their ministries; and

WHEREAS, as members of the Diocesan Staff they retired during the year 2019; and

WHEREAS, the Episcopal Diocese of Texas has been richly blessed by their gifts in the service of our Lord; therefore be it

RESOLVED, that the 171st Council of the Episcopal Diocese of Texas gives glory to God for their faithful witness and wishes them well in this new stage of life in Christ.

In Honor of Council Management Committee

WHEREAS, the people of the Episcopal Diocese of Texas saw fit to gather in Waco, Texas, home to many vibrant and thriving ministries of our Diocese; and

WHEREAS, the Diocese is thankful for the outstanding service of the Council Management Committee under the coordination of Mary Cloud, as well as for the fine work of the Diocesan staff, clergy and laity, including countless volunteers from across the Diocese of Texas; therefore be it

RESOLVED, that the 171st Annual Council of the Episcopal Diocese of Texas gives praise to God for the dedicated ministry of the Council Management Committee members, including the Rev. Canon Christine M. Faulstich, Chair; Mary Cloud, Diocesan Council Coordinator; David Harvin, Chancellor ex officio; the Rev. William Fowler, Chair for the Dispatch of Business ex officio; Nicholas S. Johnson, The Rev. Ken Fields, Susan Duif, Tammy Tiner, The Rev. Chad Martin, and Rob Montgomery.

Jimmy Grace, Chair

REPORTS OF BISHOPS

REPORT OF BISHOP JEFF W. FISHER

As one on a team of four bishops in this Diocese, I look back on 2019 as a year of transition. At Diocesan Council, we celebrated the significant and faithful ministry of Bishop Dena Harrison, as she retired from active ordained ministry. I had a great time at the dinner before Diocesan Council, presenting, along with Bishop Monterroso, short nuggets of wisdom that I have received over the years from Bishop Harrison, from what I call my mental “Dena Harrison Book of Wisdom.” Then we celebrated the election of Kai Ryan as my new colleague, along with the faithfulness of two other great candidates. It was a joy to serve as one of Bishop Ryan’s co-consecrators at her Ordination on June 1, to witness the occasion up close, and to join with her side-by-side in this new chapter of her ministry, as she serves as the regional

bishop for the West Region.

Also, on the diocesan Executive Team of seven people (the four bishops, plus the Canon to the Ordinary, the Chief of Staff, and the Chief Financial Officer), this was also a year of transition, as both the Rev. Canon Christine Faulstich and the Rev. Canon Joseph Chambers assumed new roles. I believe that the staff organizational changes that were made in 2015, especially in how we communicate and track our work based upon clear goals, enabled us to embrace these transitions, with very little bumps in the road. We make a great team!

Last year, the Episcopal Seniors Foundation (ESF) established our mission, vision, and core values. As a reminder, ESF is the successor to the St. James Foundation, which received the assets of St. James House of Baytown, a ministry of the diocese which was transferred in 2016. I serve as chair of the board, and Pam Nolting serves as president. Now that the board has been organized for mission, in the spring, we invited grant requests from congregations and ministries who share our goal of fostering healthy living for seniors. In June, we fully funded grant requests from: St. James, Austin; San Pedro/St. Peter's, Pasadena; St. Francis, Tyler; and St. Luke's, Lindale. We partially funded grant requests from Holy Comforter, Spring; and St. Cuthbert, Houston. Last year, we made our first grant to Camp Allen, to assist with their sponsorship of the successful annual Abundant Living Conference, which is offered to seniors and other interested people each March; this grant continues, enabling the Abundant Living Conference to grow and expand. ESF looks forward to offering other grant opportunities in 2020.

Our Diocese is home to over 275 retired clergy, some of whom continue to faithfully serve as valuable supply clergy, in congregations large and small. To assist me in pastoral care to these wonderful clergy and their spouses, we have a fantastic team of Chaplains to the Retired Clergy. These faithful chaplains (with the convocations that they serve) are: The Rev. Janne Osborne (Austin, Northwest, Central convocations), Pam and the Rev. John Bentley (West Harris and East Harris convocations), Sam and the Rev. Nan Doerr (Galveston and Southwest convocations), the Rev. Nancy and the Rev. Bill DeForest (San Jacinto and Southeast convocations), and Joanne and the Rev. Bob DeWolfe (Northeast convocation). In 2019, we offered two retreats at Camp Allen for our Retired Clergy, Spouses & Surviving Spouses: the Abundant Living Conference in the spring, and the Diocese of Texas Retreat for the Retired in the fall, which had an amazing attendance of 75 people. In 2020, we will offer these two retreats again: The Abundant Living Conference will be in March of 2020; and the Diocese of Texas Retreat for the Retired will be September 28-30.

Small Church Network is for laity and clergy in congregations with an average Sunday attendance of 50 or fewer, gathering twice a year at Camp Allen. At our April gathering, we discussed liturgy and music in the small congregation, led by members of our diocesan Liturgical Commission. We inspired laity to lead non-Eucharistic worship on Sundays, such as Morning Prayer, when a priest is not available, or as an alternative. As far as music, we received resources from two directors of music in congregations on how to utilize the gifts currently present in our churches. In September, we focused on issues of property and finance in the small congregation, with presentations led by our diocesan staff Finance Team. This gathering had record attendance, mainly attended by wardens, parish administrators, and treasurers.

The World Mission Board coordinates our companion relationships with three dioceses: North Dakota, Costa Rica, and Southern Malawi; as well as oversees grants to worthy ministries around the globe. I serve as the chair of the World Mission Board, assisted by the Rev. Meredith Crigler. Over the summer, Meredith and I expanded the board to 15 people, and our diverse board met in retreat at Camp Allen in September. This retreat helped us to re-organize into committees and to focus us on our responsibilities. The Diocese of North Dakota, one of our companion dioceses, has experienced transition, as their bishop, Michael Smith, retired; we are providing support to their Standing Committee in this time of visioning in North Dakota. In January of 2020, we will welcome Bishop Alinafe Kalemba of Southern Malawi to our diocese. Also in January of next year, my wife, Susan, and I are planning a pastoral visit to Bishop Orlando Gomez in Costa Rica, who is beginning his second year as bishop there; our main goal in Costa Rica is to support their bishop in his vision. As a World Mission Board, building and sustaining personal relationships are our priority.

Last year, a new Liturgical Commission was formed in our diocese, consisting of a diverse group of priests and lay persons, including church musicians. In 2019, we collected and developed resources, especially for small churches, on non-Eucharistic Sunday morning worship. These resources were presented at the Small Church Network gathering in the spring, and they are now available on the diocesan website. The Liturgical Commission also drafted an alternative to the liturgy in the 1979 Book of Common Prayer for the Celebration of a New Ministry (Installation of a New Rector), as well as the Leave-Taking of a Rector. In this work, the commission utilized materials from around the wider Episcopal Church, as well as the Anglican Communion. These liturgies will begin to be utilized in our diocese in 2020; of course, the 1979 Prayer Book is always an option. The commission also explored more expansive language in liturgy, and we discovered that the expansive/inclusive trial liturgies of the Holy Eucharist approved by The General Convention in 2018 are inadequate and the principles of language are not universally applied. In 2020, the Liturgical Commission will be proposing principles of expansive/inclusive language and attempt to incorporate them into alternative and optional liturgies. This is tricky: to maintain theological and liturgical integrity, yet also be more sensitive as to language. Of course, no one must use these liturgies. The 1979 Book of Common Prayer is always an option!

During 2019, the Peace and Justice Task Force explored topics such as immigration, health, racial reconciliation, and gun violence. This was hard work, and we will adjust our focus and re-organize in 2020, to best support diocesan goals, such as being a resource and conversation partner regarding bridge-building in the midst of difficult topics.

As liaison to the Episcopal Church Women (ECW) and the Daughter of the King (DOK) in our diocese, I presided and preached at the Opening Eucharist for both of the DOK Assembly meetings (in March at St. Peter's, Brenham; and in September at Camp Allen). At the Annual Retreat for Women (ECW) at Camp Allen in October, I was the celebrant at the Opening Eucharist and the Rev. Canon Joann Saylor was the preacher. At that retreat, I presented a workshop on Healthy Masculinity, from my perspective of leading men's retreats around the country for several years; this workshop and ensuing discussion were well-received. At the ECW Retreat, they removed the term "Altar Guild Directress" from the ECW by-laws for the board, and replaced it with the position of "Chaplain." This formalized our current understanding that Altar Guild is a ministry of service for all people: women and men.

The Tyler Diocesan Center is located on the campus All Saints' Episcopal School, of which I serve on the board. In 2019, I presided at both of the school Ash Wednesday services, preached at the Baccalaureate worship for graduating seniors in May, and dedicated the renovations to the Lower School campus in October.

I serve on the National Executive Board of the Episcopal Peace Fellowship, which is informative to our peace and justice work in this diocese. The 80th anniversary of the Episcopal Peace Fellowship was in 2019, which was commemorated with various pilgrimages to sites around the country, such as to Columbine and to the National Memorial for Peace and Justice (Lynching Museum) in Alabama. My main contribution to the board was working with Presiding Bishop's office, encouraging Bishop Curry to film a video on the 80-year work and witness of the Episcopal Peace Fellowship.

In November, I attended the Second Annual Borders Summit in Tucson, Arizona. Bishops, other clergy, and laity from the border states of California, Arizona, New Mexico, and Texas, as well as people from Mexico, gathered to learn and to hear about resources, as we seek to minister to children, immigrant families, border officials, and others. It was informative to go on a short trip down to Nogales, Arizona, at the Mexican border, to participate in the Eucharist there, as well as to meet new friends from both sides of the border.

For two years now, I have served on the national Board of the Gathering of Leaders, which facilitates gatherings, four times a year around the country. These gatherings are for clergy leaders in The Episcopal Church, who grow through peer learning and sharing. The Gathering of Leaders was originally inspired by Bishop Claude Payne of Texas. During 2019, we led the board into a new collaborative partnership with the Episcopal Church Foundation, which will provide greater financial stability to the Gathering of Leaders, as well as to expand with offerings for laity.

The House of Bishops of The Episcopal Church gathered twice in 2019: in March at Kanuga in North Carolina, for bishops only; and in September in Minneapolis, for bishops and spouses. I left the September meeting one day early, and was able to travel to Southeast Texas, to be there with them after the floods of Tropical Storm Imelda. The House of Bishops is focused on preparations for the Lambeth Conference, which is meeting at Canterbury in the summer of 2020. The Lambeth Conference is for bishops and spouses from all across the worldwide Anglican Communion, and only happens roughly every 10 years. Susan and I are looking forward to developing new friendships, with people from around the world, centered on our common work as apostles of Jesus.

Along with the work of the House of Bishops, I want to say how proud I am of my wife. In 2019, Susan served as the convener/president of the Bishops' Spouses Group. If you think that getting all the bishops to be one mind is a difficult task, you should try to lead our spouses! Yet Susan led the spouses with diplomacy, sensitivity, and humor.

With the invitation of the Presiding Bishop and the President of the House of Deputies, I was re-appointed to serve on the Program, Budget, and Finance (PB&F) Committee of The Episcopal Church (TEC). This committee works on the budget for the wider Church, based upon the priorities for mission set by our Presiding Bishop and The General Convention. In January, I was elected by the members of the PB&F Committee to the position of Vice-Chair.

My leadership work with PB&F will ramp up in the next two years, as the next budget is developed for TEC, to be presented to The General Convention in 2021.

In concert with my work with the Program, Budget, and Finance (PB&F) Committee, I have served on a task force formed by our last General Convention: The Task Force on the Budget Process. During 2019, our task force has looked at different options for other processes, other than the current process, for soliciting input and approval for the budget of TEC. We will present our opinion to the Executive Council of TEC in 2020; it will be interesting to see if the Executive Council embraces change, or sticks to the status quo.

The Presiding Bishop appointed me to a task force to examine and rework the Covenant Agreement between The Episcopal Church and the Anglican Church in Mexico, which is an autonomous province in the Anglican Communion. This covenant agreement, originally signed in 1994, was to expire after 25 years (in 2019). Our task force proposed a Bilateral Agreement going forward with the dioceses in Mexico, to foster continued relationship building between The Episcopal Church and the Anglican Church in Mexico. Interestingly, the first Covenant Agreement in 1994 was worked on by Bishop Benitez of Texas.

All of this said, in my vocation, my favorite day of the week is Sunday. On Sundays, I am in our congregations, large and small. On Sunday, I get to be with you, and to catch a glimpse of how you are growing in your faith and love of Jesus Christ. I am beginning to see rich fruit that is emerging from my tenure with you, now that I am in my eighth year as one of our bishops. With clergy, I am developing a richer tapestry in pastoral relationships. And as clergy come and go from congregations, I am deepening my relationships with laity, who are so faithful for the long haul.

Thank you, thank you, for the privilege and joy to serve Jesus Christ among you.

Jeff W. Fisher, Bishop Suffragan

REPORT OF BISHOP KATHRYN “KAI” RYAN

2019 has been a year of many transitions for my ministry in the Diocese. I am grateful for the Diocese's support in electing me to serve as your Bishop Suffragan in the West Region and am energized and grateful for the relationships and work that unfold as I live into this call.

Following the election at Council 2019, I handed off the work of Canon to the Ordinary to Canon Christine Faulstich before leaving on a previously arranged sabbatical. With her experience in parish ministry in Austin and Houston, work on Diocesan commissions, for the Secretariat of General Convention, and as Bishop Doyle's Chief of Staff, Canon Faulstich received the Canon to the Ordinary's portfolio with grace, perception, and wisdom. I am deeply grateful for her ministry and the ministry of Canon Joe Chambers, the new Chief of Staff, as they support the focus of all four bishops and the staff on the diocesan vision.

I spent my sabbatical reading, reconnecting with family, and doing a bit of travel to New York, New Mexico, and London. I also worked on cataloguing and preserving a set of

documents and art created by my grandfather, work which will continue as time permits. An unexpected pleasure of the sabbatical was getting to meet and know the craftspeople who worked on the vestments, cross, and crozier for my ordination and episcopal ministry. I am grateful to Bishop Doyle, the staff, and the diocese for the sabbatical time, and to the people and congregations and institutions of the diocese for their generous gifts for these special items.

I was overwhelmed by the encouragement and welcome that began even before the ordination. Camp Allen helped greet me in the West Region by honoring me at Starry Nights, Austin in May. Generous contributions of time and talent made the ordination itself a beautiful and festive celebration. The Revs. Patrick Miller and Merrill Wade crafted and coordinated a talented team. St. Matthew's Episcopal Church, Austin, and our friends at Westover Church of Christ, were gracious hosts, hosting Presiding Bishop Michael Curry, the clergy of the Diocese, visiting bishops, friends, family, and members of the Diocese for several events on the weekend. The Seminary of the Southwest opened the campus for the traditional dinner for the bishops, spouses, and family. St. James, Austin welcomed Presiding Bishop Curry for his Sunday visit, while All Saints', Austin received this newly-minted bishop for her first parish visitation.

I have spent much of the last seven months of 2019 getting to know the congregations, clergy, and lay leaders more deeply, hoping to understand the rhythms of life and ministry in particular contexts. Before the end of 2019, I will have made 24 Sunday visitations and presided at the Celebrations of New Ministry for four new rectors. In every case, the clergy and lay people have received me with joy (and a dose of patience most welcome by a bishop learning the ropes!). Every congregation seeks to live out the gospel in distinctly Episcopal ways, faces demanding challenges, and each one is beautifully and amazingly different. Each visit has touched my heart and informed my growing sense of what God and the Diocese need from me as bishop. In addition, I have been investing time to meet with West Region clergy individually, in clericus meetings, and in small groups to understand their hopes and challenges, to encourage shared learning and collaboration, and to learn how to best support and advocate for them.

The Diocese has afforded me several valuable opportunities to connect outside of congregations. In August, I joined members of St. Michael's, Austin and several other congregations on a pilgrimage to the US-Mexico Border. We traveled to Brownsville and Matamoros, served migrants on both sides of the border and learned about the challenges of ministry under a constantly shifting set of US immigration rules. The highlight of the trip was the experience of serving dinner Saturday night to 225 migrants and then returning Sunday morning to celebrate the Eucharist in the very place we had served dinner, welcoming many of the same migrants, and hearing their singing and responses to our common prayers. Upon my return, I continue to encourage the engagement of our congregations in ministry at the border, as well as cooperation among clergy and congregations around ministries impacting immigrants and refugees.

I was honored to preach at the Baccalaureate service at Episcopal High School, Houston, for my daughter Eleanor's graduating class, and to visit one session of Senior High Camp at Camp Allen, and the opening service of Missionpalooza, our diocesan mission week for youth. I am grateful for all those throughout the diocese who work to form and empower young people to serve the gospel and Christ's Church as disciples of Jesus Christ.

My work for the Diocese includes work with three diocesan institutions: El Buen Samaritano, St. Stephen's Episcopal School, and Seminary of the Southwest. Similar to my work with congregations and clergy, my 2019 focus overall has been deepening

relationships and understanding of the people and missions of the institutions.

El Buen went through two major transitions this year. First, El Buen entered into an agreement with Lone Star Circle of Care to assume the management of the health clinic. This move allows for a developing collaboration through which clients continue to receive access to excellent primary health care and El Buen may focus on programs supporting education, health literacy, and support for children and teens that all impact health determinants. Second, El Buen's Board of Directors called a new Executive Director, Dr. Rosamaria Murillo. Dr. Murillo brings valuable expertise from her time leading in government agencies and teaching at the graduate level. With the calling of Dr. Murillo and the partnership with Lone Star, El Buen's Board and staff are poised to enter professionally guided processes for strategic planning collaboration. Vickie Blumhagen ably leads the Board as Executive Chair. I serve as Chair of the Board.

St. Stephen's Episcopal School serves nearly 700 boarding and day students in the 6th-12th grades on a beautiful campus west of Austin. Chris Gunnin, the Headmaster, in his 3rd year of service, has led the Board in the Spark 2020 initiative and the initial stages of a campus master plan. The Board and staff have done sound development work and budgeting to place St. Stephen's on sound financial footing, allowing the Headmaster and his team to continue to strengthen the excellent academic program and the attention to forming caring and responsible global citizens. Beth Ozmun leads the Board as Executive Chair. I serve as Chair. It has been my privilege to be on campus several times over the past few months, with some opportunity to connect with staff, faculty, students, and parents.

As our Austin Diocesan Center is on the campus of the Seminary of the Southwest, I have regular opportunity to observe the rhythms of the Seminary's life. It is truly a privilege to office here. The Seminary is one of the premier theological schools of the Episcopal Church and has gained a reputation beyond the southwest and outside the Episcopal Church because of the Iona Center and the mental health counseling program. The three pillars of the Seminary's programs are the Master of Divinity Degree, through which persons are prepared for ordained ministry in the Episcopal Church, the Iona Center, which supports programming for local formation for those preparing for lay and ordained ministry in 30 dioceses of the Episcopal Church, and the Masters of Arts in Mental Health Counseling. Dean Cynthia Kittredge and the excellent faculty and staff are truly preparing Christian leaders to serve God's mission at the frontiers. I serve as the Chair of the Governance Committee and assist Bishop Doyle in his role as Chair. Clarke Heidrick serves as Executive Chair of the Board.

In addition, I oversee the work of our own Iona School for Ministry, which offers preparation for those studying for the diaconate or priesthood (with the intention of serving bivocationally), or for certain lay ministries in the Church. The Revs. Mark Crawford and Mary Lenn Dixon are the Deans of Iona School, guiding dozens of able instructors and students from across the Diocese in ten weekends at Camp Allen each year. In 2019, the Diocese of Texas Iona School officially affiliated with the Iona Collaborative, part of the Iona Center at Seminary of the Southwest giving our instructors and students access to materials and ministry and training opportunities to enhance our program. Iona School is a rare and valuable resource to the whole diocese, providing excellent formation in a cost-effective way, with a range of offerings to benefit all of our congregations.

As I have entered the Episcopacy, I have also had opportunities to experience and serve the greater church. In September, I attended my first House of Bishops meeting. I know I will continue to be grateful for those times to take counsel together and to learn from and encourage one another for the sake of the whole church. I look forward to the Lambeth

Conference in 2020. In the fall, I was installed as a member of the Board of Trustees of Sewanee and preached at All Saints' Chapel at the celebration of the 50th year of Women at Sewanee. I continue to serve on the Advisory Group for Virginia Theological Seminary's Thriving in Ministry project. I have begun to serve on the House of Bishop's Planning Committee and look forward to the March 2020 meeting of the House at Camp Allen.

Tim and I are settling into the house in Austin. We come to the end of 2019 with deep appreciation for the Diocese of Texas, for Bishops Andy, Jeff, and Hector and their spouses, and for the love and encouragement we have felt as we have entered this new life.

Kathryn "Kai" McCrossen Ryan, Bishop Suffragan

REPORT OF BISHOP HECTOR F. MONTERROSO

With pleasure and gratitude, I present a summary of the activities held during the year 2019, that I consider essential to share with you during the celebration of our Council.

Pastoral Visits

During the year, I made 48 pastoral visits. Celebrating the sacraments, sharing with the members of the Church, and meeting with the Parish Councils is something I enjoy very much. Listening to the faith stories of the members of the Church generates new energy for the ministry of the Church.

I thank all the leaders of our parishes and missions who lead the leadership of their Churches. Each of these visits is an opportunity to see how, in different places and with particular gifts, the body of Christ continues to grow and continues its work in the construction of the Kingdom of God.

Ordinations

I had the opportunity to ordain into the Holy orders, Rev. Nicolas Earl, at Grace Episcopal Church on January 5, Rev. Susanne Smith at Grace Episcopal Church, Alvin on January 13, Rev. Michael Goldberg at St. Peters/San Pedro Pasadena, Houston on February 2 and Rev. Jenny Scott at St. Thomas the Apostle, Houston on June 16.

Celebrations of New Ministry

I presided at the Celebration of New Ministry of Rev. Jack Myers as Rector of St. Mark's Bay City, Rev. Mark McDonald, as rector of Ascension, Houston, Rev. Mark D. Wilkinson as Rector of St. Paul's Katy and Rev. Richard Houser as rector of St. Christopher's Houston.

Harvey Recovery

Our Hurricane Harvey recovery ministry continued in full force this year. The Office headed by the Rev. Stacy Stringer and her team also marshaled a humanitarian response to Tropical Storm Imelda, which affected several of our regions last fall. Beginning full time in 2018, our continued efforts of helping reconstruct homes and lives are fruitful. In the previous 12 months, we have been able to repair homes and provide other vital forms of storm recovery support for approximately 1000 under-resourced families. Our storm recovery covers a wide region, which includes Jefferson, Liberty, Montgomery, Hardin, Harris, Brazoria, Galveston, Wharton, and Matagorda Counties.

Additionally, volunteers from our churches, missional communities, and other networks clocked over 20,000 volunteer hours in this mission field.

Thanks to financial support from Episcopal Relief & Development and our diocesan Quin

Foundation, our long-term recovery work continues into 2020, and our projections and expectations are high. It is important to thank all who contribute with their time and resources to restore hope and bring healing to the thousands of highly vulnerable families affected by the floods of 2017 and 2019.

St. Vincent's House

Since its founding in 1956, St. Vincent's House (SVH) has covered the most basic needs of marginalized Galveston populations, including food, clothing, primary medical care, counseling, and other social services. Those services and programs have been successful against many forecasts.

After the departure of the former director in August, we were fortunate to obtain the provisional services of Jeff Pitsenbarger, a retired member of Grace Episcopal Church in Galveston.

This year we have created a balance by establishing a better organization, defining individual work responsibilities, and establishing internally managed fiscal controls.

St. Vincent's House is ready to call a permanent Executive Director with qualifications and experience that matches exactly what is needed for St. Vincent's to move forward.

Hiring this person will require a significant increase in funding, and the Board of Directors is committed to finding the resources to achieve this next vital step.

This year St. Vincent's was selected by the president of the medical branch of the University of Texas, Ben Raimer, his senior staff and the trustees of the Sealy and Smith Foundation as the vehicle to deliver an innovative initiative to the uninsured, unattended and undocumented from Galveston, poor, working poor and homeless.

These are the men, women, and children that St. Vincent has served for 65 years. This initiative, called "Medical Care for Galvestonians", aims to identify and fill gaps and eliminate barriers to a continuum of medical care for this population.

It is an unprecedented opportunity to change lives for generations to come.

Commission of Hispanic/Latino Ministry

The commission has worked during this year on several activities that include:

The planning and celebration of the annual lay leadership conference, which focused on the topic of congregational vitality and the tools to strengthen secular ministry. The conference brought together leaders of the Churches that develop Hispanic ministry in the Diocese and invited guests from other dioceses including the Diocese of Guatemala, Costa Rica, and a delegation from the Episcopal Diocese of Curitiba, and Brazil. Each year this conference brings together more people and allows participants to create a space for worship through music, training, and reflection. In this year's conference held at Camp Allen, 265 people participated.

After hosting the largest, most dynamic Latino Lay Leadership Conference yet in June, the COHM turned its focus to advocacy and formation in the fall. In the Austin area, "Proyecto Santiago" has been teaming up with other Episcopal communities to run legal workshops. Clergy working with Spanish-speaking communities gathered with Bishop Ryan

to give her a picture of challenges faced by our Latino communities and to brainstorm about collaboration in the Austin area. In Houston, good work continues through the collaborative formation for lay leaders from a variety of congregations through the Academia at San Pablo. The Commission has also focused on the education and formation of lay leadership. Part of the Commission's priorities includes working together with IONA Collaborative to adjust or create theological formation programs in such a way that more people with a missionary vocation and the lay leadership of the Hispanic congregations develop their mission and ministry.

Church Pension Group

In 2019 I was invited to collaborate with the ministry of the Church Pension Group. I support this ministry in two areas: First, as a member of The Client Council, which consists of individuals who represent a broad range of Church leaders, including bishops, priests, canons, deacons, diocesan and parish administrators, lay leaders, and executive directors. As members of this council, we hear from senior CPG leaders, who discuss current programs and initiatives, and, in turn, the Council provides feedback and insights related to the products and services CPG offers its clients.

Second, I collaborate as a leader and part of the faculty of CREDO in Spanish. CREDO conferences provide clergy with a wellness experience in multiple areas. Through the reflection in four specific areas: spiritual, vocational, financial and physical/psychological health. The CREDO conferences help the clergy examine their health, replenish their spirit and rediscover the passion that encourages them to follow Jesus through the Ordained Ministry. This year I participated in coordinating two conferences for the Hispanic clergy in the Dioceses of Puerto Rico and the Dominican Republic.

College of Bishops

As part of my integration into the Episcopal Church and as a new bishop in this jurisdiction, I regularly attend the College of Bishops. The College of Bishops is a three-year program that supports new bishops to improve their performance in their ministry. This is a very positive process. In addition to sharing our concerns and challenges, it is possible to make many connections and learn from the experiences of other bishops from the Episcopal Church and the Anglican Communion.

At the end of my second year as Bishop Assistant of this Diocese, I feel grateful to have the opportunity to serve among you. It is an excellent experience that invites me to learn and value all the blessings that the Lord provides every day.

Your prayers, friendship, and ministry are essential to work as a team and together to find the best way to serve and develop our call to proclaim the good news and serve.

Héctor Monterroso, Bishop Assistant

REPORT OF BISHOP RAYFORD B. HIGH

As Bishop Suffragan of Texas, resigned, I was honored to be able to serve the Diocese of Texas by Celebrating and Preaching (5 congregations), officiating at a Baptism, officiated at a funeral, Consecration of Bishop Suffragan, and 11 pastoral visits. I also served in 2 other dioceses (Fort Worth and West Texas), Consecration of a new church, 3 services of confirmation, celebrated and preached 8 Sundays. I continue to be blessed by serving our Lord.

Rayford B. High, Jr.

Retired Bishop Suffragan of Texas and Retired Provisional Bishop of Fort Worth

REPORTS OF OFFICERS OF THE DIOCESE

HISTORIAN

The most recent edition of the history of the Episcopal Diocese of Texas may be obtained from the diocesan office. As part of the ongoing process to record our history, a project to write the biography of our fifth bishop, the Rt. Rev. J. Milton Richardson, has begun. The purpose of this book is not only to share the story of his life and ministry, but the history of the diocese during his tenure (1965 - 1980).

Jimmy Abbott, Diocesan Historian

REGISTRAR

As registrar of the Diocese of Texas, I certify that to date in 2019, all ordinations held within the diocese and all transfers of clergy as well as clergy changes in each congregation have been duly recorded.

John A. Logan, Jr., Registrar

SECRETARY

I am always grateful to those who have responded to the Bishop's request for reports to the *Journal* and those who have responded in time to get them printed in Volume I.

Again this year, delegate registration and certification forms for the 171st Council are to be filed online (do not send copies to the Diocesan Center). Forms of other materials for 2020 (such as the list of appointed/elected parochial officers) are already available on the diocesan Web site as a part of the Council registration forms. Please remember that Council registration and all of the other requested material is to be completed online. If you need assistance completing any of these forms, please contact the Diocesan office at ngaspar@epicenter.org.

Beginning January 2nd, you will be asked to create a new login. You will need your Unique Episcopal Identifier (UEID) to begin the process. Use the following site to locate your UEID <https://sites.google.com/view/episcopal-eparish-lookup/> Note that your new login will need to be an active email address and your password will be case sensitive. These updates will be mailed to individual congregations on a postcard. You should have received them in early December. **Please note that the workbooks for help in filling out the report are available online and the links will not be included in the postcard.** As before, you are required to file your report online. Online filing will not begin until January 2 (the first day for filing). Again, please do not send a "hard copy" to the diocese as we are able to access the reports once they have been filed online. It is wise, however, to keep a hard copy of

your Parochial Report for your own reference. I would remind you that regardless of what the preparation handbook says, by Diocesan Canon your Parochial Report is due in the New York office of the General Convention by January 21. After January 2, we will be checking daily to see which Reports have been filed. If your Report is not on file by February 6, Diocesan Canons specify that you are not entitled to be seated or to have a vote in Council. Please make every effort to file your Parochial Report in a timely manner.

John A. Logan, Jr., Secretary

TREASURER

THE EPISCOPAL DIOCESE OF TEXAS

The information provided is for the period January 1 - November 30, 2019

DIOCESAN BUDGET

	Year to Date Amounts	2019 Adopted Budget
REVENUES		
Assessments	7,506,159	8,046,147
Foundation Support and Overhead	2,435,679	2,657,104
Other Revenues	479,737	657,096
TOTAL REVENUES	10,421,575	11,360,347
EXPENDITURES		
OFFICE OF THE BISHOP		
Clergy Compensation	1,496,567	1,721,152
Lay Staff Compensation	664,141	730,538
Business and Travel Expense	359,941	426,205
Clergy Conference	116,146	117,000
	2,636,795	2,994,895
CANONICAL EXPENSES		
Diocesan Council	340,465	331,850
Other	247,932	221,500
	588,397	553,350

MINISTRY EXPENSES

Ministry Staff Compensation	773,509	847,363
Transition Ministry	124,122	86,000
Wellness and Care Ministry	98,790	121,000
Communications	46,070	110,200
Other Ministry Expenses	458,786	551,000
	1,501,277	1,715,563

MISSION AMPLIFICATION

Staff Compensation	812,534	853,769
Christian Formation/Youth	167,547	231,450
Texas Episcopal Service Corps	65,312	83,855
Congregational Vitality	18,922	48,000
Other	47,077	52,000
	1,111,392	1,269,074

SERVICE AND OUTREACH

Support of the Episcopal Church	1,239,979	1,352,704
Support of the Anglican Communion	300,000	300,000
World Mission & Companion Dioceses	50,727	75,000
Other	54,954	132,022
	1,645,660	1,859,726

ADMINISTRATIVE EXPENSES

Staff Compensation	842,216	904,996
Group Health Insurance	357,380	552,644

Overhead reimbursement to the EDOT FSC	256,686	280,021
Information Technology	232,347	266,535
Rent & Storage	211,446	212,216
General Office Expense	199,214	215,000
Utilities, Janitorial, Maint. & Repair	184,852	187,000
Other Insurance	134,146	117,027
HR Consulting & other transition costs	955	20,000
Other	263,126	212,300
	2,682,368	2,967,739
TOTAL EXPENSES	10,165,888	11,360,347
REVENUES OVER (UNDER) EXPENSES	255,687	-
Special Accounts	(390,543)	-
NET CHANGE IN ASSETS	(134,857)	-

Linda Riley Mitchell, CFO/Treasurer

EXECUTIVE BOARD

There have been four meetings of the Executive Board since the report to the 170th Annual Council. There will be one final meeting in December 2019 that will be reported in the Journal of the 171st Council.

Wednesday, December 12, 2018: The Finance Committee recommended that the Diocese of Texas make a supplemental payment of \$240,000 to the Episcopal Services Corporation to fund health, wellness, and medical costs for clergy and their families. These funds are to be reflected as restricted assets in the financial statements of the FSC. The motion was adopted to add \$240,000 as a restricted payment to FSC Committee. The 2019 Budget (described as a “break even” Budget) was

adopted. The 2019 Housing Resolutions were adopted. The recommendations of the Renumerations Committee will be reflected in the 2019 Budget. The work of Episcopal Relief and Development (ERD) in the Diocese since Hurricane Harvey was discussed. Recovery is going to be a long one with ERD “walking alongside” the Diocese.

Saturday, February 23, 2019: The Board met immediately following the adjournment of the 170th Council. Bishop Fisher was elected as Vice-President. Linda Mitchell was elected as Treasurer and Canon Logan as Secretary. Elected as Executive Board representative to the Nominations Committee was Debra Allensworth. The normal Board schedule and meetings were explained by the Bishop.

Wednesday, March 20, 2019: The Governance Committee reported that it was continuing its work concerning the size of the Annual Council. Will reducing the size of Council make more meeting locations possible? Are there other ways of doing Council? The question was asked as to why Delegates are not better prepared by the time they actually get to Council. A number of suggestions dealing with the Annual Council were forwarded to the Constitution and Canons Committee. The Metrics Tracking and Measuring system was introduced by Canon Saylors and the Mission Amplification group.

Wednesday, September 4, 2019: The Governance Committee proposed additions and revisions to Article 2 and Canon 2, dealing with the Annual Council and its attendance which were forwarded to the C&C Committee. It was reported that the Diocesan Foundations have committed \$5.5M to assist parishes in Hurricane recovery. To date, \$3.9 of this has been expended. The Diocesan Assessments for 2020 will total \$7.8M.

John A. Logan, Jr., Secretary_

DIOCESAN FOUNDATIONS

THE BISHOP QUIN FOUNDATION

The Bishop Quin Foundation

“The Mission of the Bishop Quin Foundation is to Help Build the Church!” Our Mission Statement calls for us to do this “within the Episcopal Diocese of Texas with the advice and counsel of the Bishop of Texas and working with the Diocesan staff and the other foundations of the Diocese by continuing to increase and utilize our resources effectively.

Trustees are appointed to overlapping three-year terms by the Council of the Diocese of Texas. The Bishop and Treasurer of the Diocese are *ex officio* members of the board, with voice and vote. Elected members during the past year included; The Rev. Jason Ingalls, Mr. Jerry Campbell, and Mr. Clark “Corky” Moore (terms expiring in 2020), Mr. Bob Biehl, The Rev. Kellaura Johnson, and Ms. Melinda Little (terms expiring in 2021), and Ms. Sue Green, Merrell Anne Shearer, and The Rev. Bill Fowler (terms expiring in 2022). Officers elected by the Board were The Rev. Bill Fowler, President; Sue Green, Vice-President; Ms. Linda R. Mitchell, Treasurer; Mr. David N. Fisher, Secretary; and Ms. Angela Smith, Assistant Secretary.

The Foundation established the following committees:

- Executive Committee – Conducts foundation business between meetings of the board. Members are; The Bishop of Texas (Chair), Bill Fowler (President & Convener), Corky Moore, Sue Green, the Treasurer of the Diocese, and the Director of Foundations.
- Finance Committee – Monitors and evaluates the foundation’s investments, oil and gas properties, and loan performance. Members are; Bill Fowler, Corky Moore, Jerry Campbell, Linda Mitchell, and David Fisher.
- Quin / EFT/ GCF Strategic Mission Grants Committee – Joint Venture which supports the growth of congregations within the Episcopal Diocese of Texas. Bishop Quin Foundation members of the SMG Committee are: Merrell Anne Shearer, Kellaura Johnson, Jason Ingalls, Sue Green, Bob Biehl, and Melinda Little.

Again this year, grants were provided to support the Curate/Intern Placement Program. Under this program, the Bishop Quin Foundation funds one half of the salaries of Curates/Interns placed in churches throughout the Diocese of Texas. The Trustees continue to believe that attracting and maintaining high quality talent is vital to the continued growth and success of the Diocese. This Bishop Quin Foundation supports Sabbatical Grants for our clergy and redevelopment grants to congregations. In 2019, the Bishop Quin Foundation continued to provide grants to congregations in the Diocese that had been impacted by Hurricane Harvey. The Bishop Quin Foundation also funded initiatives from our congregation there were referred by the EDOT Integration and Mission Amplification teams during the course of 2019.

The Strategic Mission Grant program is a collaborative venture with the Episcopal Foundation of Texas and the Great Commission Foundation. The Strategic Mission Grants Committee (SMG) has a dedicated website www.smgedot.org for processing grant applications and managing active grants. This interactive website includes videos, stories, and motion graphics that convey information about the grant program using multiple media formats. The site has a complete translation in Spanish. The grant focus includes encouraging congregations to engage with their surrounding communities, focus in invitation, and the funding of missional communities.

Throughout the year, the Trustees relied on the hard work and skills of a dedicated and capable staff. We have been ably advised by Bishop Doyle and Canon Faulstich and we are grateful for and feel blessed by their guidance, advice and support. Our efforts were coordinated throughout the year with the other foundations of the Diocese. It is a privilege to work with this exceptional group of Christians with one accord.

Bill Fowler, President

The Bishop Quin Foundation
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2018
and 2017

The Bishop Quin Foundation
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

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Blazek & Vetterling
CERTIFIED PUBLIC ACCOUNTANTS
Independent Auditors' Report

To the Board of Trustees of
The Bishop Quin Foundation:

We have audited the accompanying financial statements of The Bishop Quin Foundation (an instrumentality of the Protestant Episcopal Church in the Diocese of Texas), which comprise the statements of financial position as of December 31, 2018 and 2017 and the related statements of activities and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

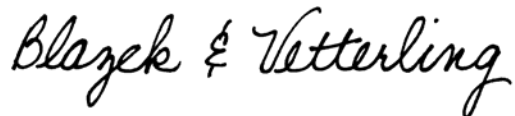
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Bishop Quin Foundation as of December 31, 2018 and 2017 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

2900 Wesleyan, Suite 200 Houston, Texas 77027-5132 (713) 439-5757 Fax (713) 439-5758

Adoption of New Accounting Standard

As discussed in Note 2 to the financial statements, The Bishop Quin Foundation adopted the amendments of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. These amendments have been applied on a retrospective basis to the financial statements as of and for the year ended December 31, 2017, except that certain information has been omitted as permitted by the ASU. Our opinion is not modified with respect to this matter.

A handwritten signature in cursive script that reads "Blazeck & Vetterling".

June 28, 2019

The Bishop Quin Foundation
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Statements of Financial Position as of December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 157,333	\$ 115,803
Receivables from other Diocesan operating entities	161,792	125,955
Notes receivable (Note 4):		
Church Corporation	458,041	447,136
Related entities, net	500,204	401,283
Investments (Note 5)	34,337,279	38,147,392
Land	<u>180,601</u>	<u>180,601</u>
TOTAL ASSETS	<u>\$ 35,795,250</u>	<u>\$ 39,418,170</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 21,288	\$ 14,657
Due to other Diocesan operating entities	117,701	46,865
Grants payable (Note 6):		
Related entities, net	986,717	94,750
Diocesan operating entities	<u>765,551</u>	<u>226,250</u>
Total liabilities	<u>1,891,257</u>	<u>382,522</u>
Net assets without donor		
Board-designated revolving fund	523,977	2,587,977
Board-designated permanent fund	<u>33,380,016</u>	<u>36,447,671</u>
Total net assets without donor restrictions	<u>33,903,993</u>	<u>39,035,648</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 35,795,250</u>	<u>\$ 39,418,170</u>

See accompanying notes to financial statements.

The Bishop Quin Foundation
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Statements of Activities for the years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
REVENUE:		
Investment return, net (<i>Note 5</i>)	\$ (1,811,145)	\$ 5,636,406
Support from Diocesan operating entities	886,664	243,735
Interest on notes receivable from related entities	3,352	18,583
Interest on notes receivable from Diocesan operating entities	10,906	10,906
Grant reversion	7,870	24,340
Other revenue	<u>4,000</u>	
Total revenue	<u>(898,353)</u>	<u>5,933,970</u>
EXPENSES:		
Program services:		
Grants to related entities	1,860,000	744,152
Grants to other Diocesan operating entities	<u>1,984,696</u>	<u>474,182</u>
Total program services	3,844,696	1,218,334
Management and general:		
Diocesan operating entities – administrative services	345,276	286,930
Other management and general	<u>43,330</u>	<u>33,042</u>
Total expenses	<u>4,233,302</u>	<u>1,538,306</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(5,131,655)	4,395,664
Net assets without donor restrictions, beginning of year	<u>39,035,648</u>	<u>34,639,984</u>
Net assets without donor restrictions, end of year	<u>\$ 33,903,993</u>	<u>\$ 39,035,648</u>

See accompanying notes to financial statements.

The Bishop Quin Foundation
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Statements of Cash Flows for the years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets without donor restrictions	\$ (5,131,655)	\$ 4,395,664
Adjustments to reconcile changes in net assets without donor restrictions to net cash provided by operating activities:		
Net realized and unrealized (gain) loss on investments	3,778,702	(2,523,521)
Changes in operating assets and liabilities:		
Receivables from other Diocesan operating entities	(35,837)	(11,630)
Accounts payable and accrued expenses	6,631	(12,916)
Due to other Diocesan operating entities	70,836	(21,033)
Grants payable	<u>1,431,268</u>	<u>112,740</u>
Net cash provided by operating activities	<u>119,945</u>	<u>1,939,304</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	2,658,009	10,875,838
Purchases of investments	(3,177,400)	(12,213,408)
Change in money market mutual funds held as investments	550,802	(714,491)
Advances made on notes receivable	(113,752)	(2,301)
Payments received on notes receivable	<u>3,926</u>	<u>12,207</u>
Net cash used by investing activities	<u>(78,415)</u>	<u>(2,042,155)</u>
NET CHANGE IN CASH	41,530	(102,851)
Cash, beginning of year	<u>115,803</u>	<u>218,654</u>
Cash, end of year	<u>\$ 157,333</u>	<u>\$ 115,803</u>

See accompanying notes to financial statements.

The Bishop Quin Foundation
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Notes to Financial Statements for the years ended December 31, 2018 and 2017

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – The Bishop Quin Foundation (the Foundation) is a Texas nonprofit corporation, created in 1943 to commemorate the 25th anniversary of the consecration of the Right Reverend Clinton S. Quin as Bishop. It was incorporated in 1955 and organized under Title V, Canon 2, as amended, of the Constitution and Canons of the Protestant Episcopal Church in the Diocese of Texas (the Diocese). The Diocese is an ecclesiastical territory that extends from the Louisiana border to portions of central, eastern, and southeastern Texas. The authority of the Diocese is vested in the Bishop, the Council of the Diocese, and a standing committee. The broad objectives of the Foundation include such religious, charitable, and educational activities as determined by the Bishop and the Board of Trustees to be in furtherance of the spiritual and physical welfare of the Diocese. Members of the Board of Trustees are elected by the Council of the Diocese on nomination by the Bishop and include the Bishop as an ex-officio member and Chair of the Board of Trustees.

Related entities – The Executive Board of the Diocese is composed of the Bishop and fifteen members elected by the Council of the Diocese. Pursuant to various Canons, the Executive Board has certain oversight responsibilities relating to the affairs of the Foundation and the following related Diocesan operating entities:

- *Episcopal Diocese of Texas (EDOT)* is an operating unit of special accounts used to carry out the ministry of the Diocese and is supported primarily by parish assessments.
- *EDOT Financial Services Corporation* was created to provide human resource, accounting, financial, and investment management services support to the related Diocesan operating entities, as well as administering health benefits for clergy and certain lay employees throughout the Diocese.
- *Protestant Episcopal Church Council of the Diocese of Texas (Church Corporation)* receives, holds, manages, and administers funds and properties acquired by gift or purchase for the use and benefit of the Diocese and any Diocesan institution. Additionally, it may also receive, hold, and manage funds held for the use and benefit of any parish or mission in the Diocese.
- *The Great Commission Foundation (GCF)* was created in 2013 to support missionary and church planting strategies of the Diocese.
- *Episcopal Foundation of Texas (EFT)* was created to hold and administer certain assets for the purpose of providing grants and loans for religious, educational, and charitable purposes to designated Diocesan entities.
- *The Episcopal Health Foundation (EHF)* was created in 2013 with proceeds from the transfer of the membership of the St. Luke's Episcopal Health System to an unrelated not-for-profit entity. The focus of EHF is to promote the health and well-being of the 10 million people in the 57 counties of the Episcopal Diocese of Texas.

The Foundation routinely engages in transactions with related entities that are directly or indirectly governed by the Council of the Diocese. These entities include parishes, schools, missions, and other Diocesan entities.

Basis of presentation – These financial statements include only the assets, liabilities, net assets, and activities of the Foundation. The accompanying financial statements do not include the assets, liabilities, net assets, and activities of the related Diocesan operating entities, parishes, missions, or other Diocesan entities. Each of these related entities is an operating entity distinct from the Foundation, maintains separate financial records, and administers its own services and programs.

Federal income tax status – The Foundation is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code as a religious organization and is classified as a public charity under §170(b)(1)(A)(i) under the group exemption of the Protestant Episcopal Church in the United States of America.

Notes receivable are reported at estimated net realizable value. Allowances for notes receivable are provided when it is believed they may not be collected in full and are adjusted annually to reflect changes in the expected future cash flows from impaired notes. The amount of bad debt expense recognized each period and the resulting adequacy of the allowance at the end of each period is determined using a specific analysis of each receivable balance. A note receivable is considered impaired when it is considered probable that the Foundation will not collect all principal and interest amounts due under the terms of the agreement. No interest is accrued on impaired notes. It is possible that management's estimate regarding the collectability of these balances will change in the near term resulting in a change in the carrying value of receivables. At December 31, 2018, all known impaired loans have been reserved in the allowance for loan losses.

Investments are reported at fair value. Mineral interests are reported at lower of cost or fair value and are fully depleted. Purchases and sales of marketable securities are recorded on a trade-date basis. Realized and unrealized gains or losses on investments are determined by comparison of average costs of acquisitions to proceeds at the time of sale, or stated fair value at the last day on the fiscal year, respectively. Investment return is reported in the statement of activities as an increase in *net assets without donor restrictions* unless the use of income is limited by donor-imposed restrictions. Net investment return consists of interest and dividends, realized and unrealized gains and losses, net of external and direct internal investment expenses.

Land is reported at cost.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation. The board designations are described as follows:

- *Revolving fund* receives a transfer of income from the permanent fund and interest and other income related to non-investment assets. These funds may be loaned or granted for any purposes that the Bishop and Board of Trustees may determine to be in furtherance of the spiritual and physical welfare of the Diocese.
- *Permanent fund* receives revenue from investments and royalties after the transfer of income to the revolving fund. By the Board of Trustees' action, income transfers are made from the permanent fund to the revolving fund based on 4% of the average fair market value of the fund for the prior three

years. The investment return may be used at the discretion of the Board of Trustees.

Grants made are recognized as expense at fair value when the Foundation approves an unconditional commitment to a grant recipient. Conditional grants are recognized in the same manner when the conditions are substantially met by the recipient or when the possibility that the conditions will not be met is deemed remote. Grants payable in more than one year are reported at the present value of their future cash outflows using a risk-free rate-of-return, if material. Commitments made but not yet funded are reported as grants payable.

Functional allocation of expenses – Expenses are reported by their functional classification as program services or supporting activities. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Supporting service activities are not directly identifiable with specific program activities. All of the Foundation's expenses are directly attributable to either program activities or management and general.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Recent financial accounting pronouncement – In June 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction and provide additional guidance on determining whether a contribution is conditional or unconditional. This ASU could impact the timing of revenue recognition and the financial statement disclosures related to such transactions. The Foundation is required to apply the amendments in its December 31, 2020 financial statements. The amendments should be applied on a modified prospective basis, but retrospective application also is permitted. Management has not determined the eventual method of adoption of the ASU or the impact on the financial statements.

NOTE 2 – ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14

The Foundation adopted the amendments of ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. These amendments have been applied on a retrospective basis to the financial statements for the year ended December 31, 2017, except that information regarding liquidity and availability of resources has been omitted as permitted by the ASU. Adoption of this ASU resulted in reclassification of previously reported activities and net assets to conform to the 2018 presentation but had no impact on total net assets or total changes in net assets for 2017.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2018 comprise the following:

Financial assets at December 31, 2018:

Cash	\$ 157,333
Receivables from other Diocesan operating entities	161,792
Notes receivable:	
Related entities,	500,204
Investments	<u>34,337,279</u>
Total financial assets	35,156,608
Less board-designated net assets not available for general expenditures in the coming year (based upon an estimate of 4% approved for expenditure annually)	<u>(30,860,946)</u>
Total financial assets available for general expenditure	<u>\$ 4,295,662</u>

For purposes of analyzing resources available to meet expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing religious, charitable, and educational activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

As part of the Foundation's liquidity management, it structures its financial assets to be available as general expenditures and liabilities become due or as additional funding opportunities are presented by maintaining a significant portion of its assets in mutual funds.

The Foundation's investments are invested for long-term appreciation but remain available to be spent at the Board's discretion. By the Board's action, income transfers are made from the principal to the income fund. Generally, 4% of the three-year average value of the Foundation's portfolio is designated by the Board as available to meet general expenditures.

NOTE 4 – NOTES RECEIVABLE

Diocesan operating entities

The Foundation has a note agreement with Church Corporation at an interest rate of 2.5%. The Board has agreed to defer payment on the past due note to Church Corporation annually for the last two years. The remaining balance, including principal plus accrued interest at December 31, 2018, is \$458,041.

Related entities

The Foundation provides loans to Diocesan institutions to finance Diocesan projects. Repayment terms and interest rates vary and are flexible to meet the needs of the related entities. Interest rates range from 2.5% to 6% and repayment terms require periodic payments of principal and interest over periods ranging from 1 to 4 years.

Notes receivable from related entities consist of the following:

	<u>2018</u>	<u>2017</u>
Notes secured by real and other property	\$ 491,920	\$ 494,518
Unsecured notes receivable	<u>138,621</u>	<u>37,102</u>
Total notes receivable from related entities	630,541	531,620
Allowance for loan losses	<u>(130,337)</u>	<u>(130,337)</u>
Notes receivable from related entities, net	<u>\$ 500,204</u>	<u>\$ 401,283</u>

NOTE 5 – INVESTMENTS AND FAIR VALUE

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In accordance with ASU 2015-07, *Fair Value Measurements*, investments for which fair value is measured at net asset value per share (or its equivalent) using the practical expedient have not been categorized in the fair value hierarchy. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date. The types of investments included in Level 1 are securities traded and valued based upon a public exchange.
- *Level 2* – Inputs are quoted prices in nonactive markets or in active markets for similar assets or liabilities, or inputs which are either directly or indirectly observable with observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity's assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at December 31, 2018 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Domestic bond mutual funds:				
Intermediate-term	\$ 9,876,159	\$ 9,876,159		
High-yield	1,339,857	1,339,857		
Inflation protected	1,036,426	1,036,426		
Domestic equity mutual funds:				
Large-cap index	2,994,703	2,994,703		
Large-cap value	1,488,533	1,488,533		
Large-cap growth	1,474,392	1,474,392		
Small-cap growth	878,298	878,298		
Small-cap value	877,579	877,579		
International equity mutual funds:				
Large-cap growth	2,618,916			2,618,916
Large-cap value	2,547,592			2,547,592
Emerging markets	2,423,223			2,423,223
Master limited partnership mutual fund	2,153,877			2,153,877
International bond mutual funds	1,699,492			1,699,492
Real estate exchange-traded fund	963,876			963,876
Commodity mutual fund	613,341			613,341
Money market mutual funds	<u>212,914</u>			<u>212,914</u>
Total	<u>\$ 33,199,178</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>33,199,178</u>
Other investments measured at net asset value using the practical expedient: Investments in partnerships:				
Investment in EH Investment Fund, L.P. (a)				-
				<u>1,138,101</u>
Total investments measured at fair value				<u>\$ 34,337,279</u>

Assets measured at fair value at December 31, 2017 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u> <u>TOTAL</u>	<u>LEVEL 3</u>
Investments:			
Domestic bond mutual funds:			
Intermediate-term	\$ 9,623,610	\$ 9,623,610	
High-yield	1,395,835	1,395,835	
Inflation protected	1,055,584	1,055,584	
Domestic equity mutual funds:			
Large-cap index	3,564,252	3,564,252	
Large-cap value	1,814,060	1,814,060	
Large-cap growth	1,809,350	1,809,350	
Small-cap growth	1,130,514	1,130,514	
Small-cap value	1,120,806	1,120,806	
International equity mutual funds:			
Large-cap growth	2,977,928		2,977,928
Large-cap value	2,966,894		2,966,894
Emerging markets	2,729,432		2,729,432
Master limited partnership mutual fund	2,465,855		2,465,855
International bond mutual funds	1,769,355		1,769,355
Real estate exchange-traded fund	1,022,319		1,022,319
Commodity mutual fund	755,348		755,348
Money market mutual funds	<u>763,716</u>	<u> </u>	<u>763,716</u>
Total	<u>\$ 36,964,858</u>	<u>\$ 0</u>	<u>\$ 0</u>
			36,964,858

Other investments measured at net asset value using the practical expedient: Investments in partnerships:

Investment in EH Investment Fund, L.P. (a)

1,182,534

Total investments measured at fair value

\$ 38,147,392

(a) EH Investment Fund, L.P. is a global multi-asset class fund that primarily seeks to increase its net asset value by an amount in excess of inflation (as defined by the Consumer Price Index) and the actual spending rate of EHF over full market cycles of seven to ten years. The fund also seeks to maximize investment returns and to reduce portfolio volatility by investing in diversified asset classes and capital markets. The asset classes that the fund will invest in include: global equities (developed and emerging), hedge funds, hybrids, private equity, real assets, fixed income, and cash and equivalents. Hall Capital Partners, LLC serves as the investment manager and the general partner (via one of its subsidiaries). There are two limited partners: EHF and the Foundation. The general partner uses valuation methodologies that consider a range of factors including, but not limited to, the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance, financial condition, and financing transactions subsequent to the acquisition of the investment.

As of December 31, 2018, EHF had a 99.89% interest in the fund and the Foundation had a .11% interest. At any given time, one third of the fund's portfolio assets can be liquidated within 30 days. Redemptions are allowed at the end of each month with 10-days prior written notice. There are no unfunded commitments at December 31, 2018.

Valuation methods used for assets measured at fair value are as follows:

- *Mutual funds* are valued at the reported net asset value of shares held at year end.
- *Exchange-traded funds* are valued at the closing price reported on the active market on which the securities are traded.
- *Investment in EH Investment Fund, L.P.* is valued at the net asset value utilized as a practical expedient as determined by the general partner and supported by the audited financial statements of the fund.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Investments are exposed to various risks such as interest rate, market, and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

Investment return includes earnings on cash and consists of the following:

	<u>2018</u>	<u>2017</u>
Net realized and unrealized (gain) loss	\$ (3,778,702)	\$ 2,523,521
Interest and dividends	1,446,508	1,621,563
Royalty income	746,921	1,740,027
Foreign taxes, mineral interests, and production expenses	(111,302)	(132,625)
Investment management fees	<u>(114,570)</u>	<u>(116,080)</u>
Investment return, net	<u>\$ (1,811,145)</u>	<u>\$ 5,636,406</u>

NOTE 6 – GRANTS PAYABLE

Grants payable at December 31, 2018 are expected to be paid as follows:

2019	\$ 1,432,268
2020	<u>320,000</u>
Total	<u>\$ 1,752,268</u>

The Foundation has made approximately \$872,000 in grants to Diocesan operating entities and other related entities that are conditional upon certain events and have not been recognized as grants payable at December 31, 2018.

Included in these amounts is approximately \$470,000 in a grant to EDOT to assist with Hurricane Harvey response and recovery initiatives. This grant is conditioned upon EDOT identifying qualifying projects.

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 28, 2019, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

CHURCH CORPORATION

The Protestant Episcopal Church Council of the Diocese of Texas, popularly known as the “Church Corporation,” serves the diocese by providing a vehicle for professional investment management to congregations and institutions throughout the diocese. This vehicle is called the Participating Fund and allows participants to pool their funds with others to achieve economies of scale and quality fiduciary management. Accounts of all sizes are accepted and invested together with the Church Corporation’s own funds by twelve nationally known investment managers in diversified asset classes.

The Church Corporation also serves the diocese by holding title to property used by churches, day schools, outreach ministries, and other diocesan entities and by administering the Clergy Housing Trust and the Episcopal Housing Trust. The Church Corporation assists these entities in the stewardship of those properties through oversight and advice on planning, maintenance, expansion, and financing in furtherance of their mission. The financial activities of the Church Corporation are summarized in the statements that follow. The five trustees: David T. Harvin; Helen L. Toombs; Mark S. Browning; Charles W. Hall; and I were ably assisted in 2019 by Linda R. Mitchell, Assistant Treasurer; David N. Fisher, Assistant Secretary/Treasurer; and Angela Smith, Assistant Secretary.

Questions related to the report or any other matters may be addressed to Mr. David Fisher or the undersigned.

JoLynn Free, President

Protestant Episcopal Church Council of the Diocese of Texas
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2018 and 2017

Protestant Episcopal Church Council of the Diocese of Texas (An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

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Independent Auditors' Report

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Supplemental Statement of Activities by Fund for the year ended December 31, 2018

Supplemental Statement of Activities by Fund for the year ended December 31, 2017

Independent Auditors' Report

To the Board of Trustees of
Protestant Episcopal Church Council of the Diocese of Texas:

We have audited the accompanying financial statements of the Protestant Episcopal Church Council of the Diocese of Texas, which comprise the statements of financial position as of December 31, 2018 and 2017 and the related statements of activities and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

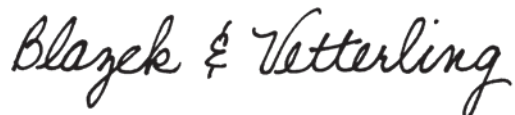
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Protestant Episcopal Church Council of the Diocese of Texas as of December 31, 2018 and 2017 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standard

As discussed in Note 2 to the financial statements, the Protestant Episcopal Church Council of the Diocese of Texas adopted the amendments of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. These amendments have been applied on a retrospective basis to the financial statements as of and for the year ended December 31, 2017, except that certain information has been omitted as permitted by the ASU. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. Supplementary information in the fund financial statements on pages 17 and 18 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Blazeck & Vetterling". The script is cursive and fluid, with the ampersand clearly visible between the two names.

June 28, 2019

Protestant Episcopal Church Council of the Diocese of Texas
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Statements of Financial Position as of December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 80,543	\$ 68,742
Notes receivable (<i>Note 4</i>):		
Clergy	274,475	304,980
Parishes and schools, net of allowance of \$17,000 in 2018 and 2017	2,058,735	2,066,735
Other, net of allowance of \$249,000 in 2018 and 2017	307,988	397,976
Land and buildings held for sale	665,349	2,666,800
Other assets	302,940	226,056
Investments (<i>Note 5</i>)	37,638,273	41,256,257
Property, net (<i>Note 6</i>)	<u>9,940,139</u>	<u>10,038,162</u>
TOTAL ASSETS	<u>\$ 51,268,442</u>	<u>\$ 57,025,708</u>
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 11,893	\$ 29,211
Grants payable to parishes and schools	322,000	
Due to Diocesan operating entities	170,744	86,545
Funds held for related entities	15,836,457	17,168,730
Notes payable (<i>Note 7</i>)	<u>7,166,142</u>	<u>9,001,440</u>
Total liabilities	<u>23,507,236</u>	<u>26,285,926</u>
Commitments and contingencies (<i>Note 8</i>)		
Net assets (<i>Note 11</i>):		
Without donor restrictions (<i>Note 9</i>)	9,073,990	10,454,129
With donor restrictions (<i>Note 10</i>)	<u>18,687,216</u>	<u>20,285,653</u>
Total net assets	<u>27,761,206</u>	<u>30,739,782</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 51,268,442</u>	<u>\$ 57,025,708</u>

See accompanying notes to financial statements.

Protestant Episcopal Church Council of the Diocese of Texas
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Statement of Activities for the year ended December 31, 2018

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions	\$ 31,206	\$ 230,004	\$ 261,210
Investment return, net (<i>Note 5</i>)	(328,127)	(1,502,387)	(1,830,514)
Interest on notes receivable	89,247		89,247
Support from other Diocesan operating entities (<i>Note 7</i>)	260,808		260,808
Gain on sale of property held for sale	<u>112,102</u>		<u>112,102</u>
Total revenue	165,236	(1,272,383)	(1,107,147)
Net assets released from restrictions:			
Participating fund distributions	<u>326,054</u>	<u>(326,054)</u>	
Total	<u>491,290</u>	<u>(1,598,437)</u>	<u>(1,107,147)</u>
EXPENSES:			
Program services:			
Grants to related entities	699,834		699,834
Imputed interest on note payable to Great Commission			
Foundation	260,808		260,808
Grants to other Diocesan operating entities	146,285		146,285
Interest	105,235		105,235
Depreciation	98,023		98,023
Grants to unrelated entities	53,109		53,109
Repairs and maintenance	<u>27,103</u>		<u>27,103</u>
Total program services	1,390,397		1,390,397
Management and general:			
Diocesan operating entities - administrative services	380,234		380,234
Other	<u>100,798</u>		<u>100,798</u>
Total expenses	<u>1,871,429</u>		<u>1,871,429</u>
CHANGES IN NET ASSETS	(1,380,139)	(1,598,437)	(2,978,576)
Net assets, beginning of year	<u>10,454,129</u>	<u>20,285,653</u>	<u>30,739,782</u>
Net assets, end of year	<u>\$ 9,073,990</u>	<u>\$ 18,687,216</u>	<u>\$ 27,761,206</u>

See accompanying notes to financial statements.

Protestant Episcopal Church Council of the Diocese of Texas
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Statement of Activities for the year ended December 31, 2017

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions	\$ 18,047	\$ 149,523	\$ 167,570
Contribution of property from a parish	937,000		937,000
Change in value of beneficial interest in a trust		101,182	101,182
Investment return, net (<i>Note 5</i>)	531,763	2,001,988	2,533,751
Interest on notes receivable	102,985		102,985
Support from other Diocesan operating entities (<i>Note 7</i>)	226,462		226,462
Loss on valuation of property held for sale	(463,834)		(463,834)
Total revenue	1,352,423	2,252,693	3,605,116
Net assets released from restrictions:			
Participating fund distributions	221,618	(221,618)	
Total	1,574,041	2,031,075	3,605,116
EXPENSES:			
Program services:			
Grants to related entities	98,420		98,420
Imputed interest on note payable to Great Commission			
Foundation	226,462		226,462
Grants to other Diocesan operating entities	123,082		123,082
Interest	78,656		78,656
Depreciation	98,023		98,023
Grants to unrelated entities	73,550		73,550
Repairs and maintenance	79,284		79,284
Total program services	777,477		777,477
Management and general:			
Diocesan operating entities - administrative services	306,780		306,780
Other	68,462		68,462
Total expenses	1,152,719		1,152,719
CHANGES IN NET ASSETS	421,322	2,031,075	2,452,397
Net assets, beginning of year	10,032,807	18,254,578	28,287,385
Net assets, end of year	\$ 10,454,129	\$ 20,285,653	\$ 30,739,782

See accompanying notes to financial statements.

Protestant Episcopal Church Council of the Diocese of Texas
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Statements of Cash Flows for the years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (2,978,576)	\$ 2,452,397
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	98,023	98,023
Contribution of property from a parish		(937,000)
Loss on valuation of property held for sale		463,834
Gain on sale of property held for sale	(112,102)	
Change in value of beneficial interest in a trust		(101,182)
Net realized and unrealized (gain) loss on investments	3,893,379	(3,743,798)
Changes in operating assets and liabilities:		
Other assets	(76,884)	(62,198)
Accounts payable and accrued expenses	(17,318)	(6,257)
Grants payable to parishes and schools	322,000	
Due to Diocesan operating entities	84,199	28,772
Funds held for related entities	<u>(1,332,273)</u>	<u>3,671,025</u>
Net cash provided (used) by operating activities	<u>(119,552)</u>	<u>1,863,616</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments received on notes receivable	128,493	389,464
Proceeds from sales of investments	12,906,729	11,429,797
Purchases of investments	(13,344,952)	(14,286,040)
Proceeds from sale of property held for sale	2,113,553	
Purchases of property		(1,298,300)
Net change in money market mutual funds held as investments	<u>162,828</u>	<u>725,282</u>
Net cash provided (used) by investing activities	<u>1,966,651</u>	<u>(3,039,797)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	165,000	442,667
Payments on notes payable	<u>(2,000,298)</u>	
Net cash provided (used) by financing activities	<u>(1,835,298)</u>	<u>442,667</u>
NET CHANGE IN CASH	11,801	(733,514)
Cash, beginning of year	<u>68,742</u>	<u>802,256</u>
Cash, end of year	<u>\$ 80,543</u>	<u>\$ 68,742</u>

Supplemental disclosure of cash flow information:

Interest paid	\$98,731	\$71,524
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See accompanying notes to financial statements.

Protestant Episcopal Church Council of the Diocese of Texas (An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Notes to Financial Statements for the years ended December 31, 2018 and 2017

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Protestant Episcopal Church Council of the Diocese of Texas (Church Corporation) is a Texas nonprofit corporation created by the Protestant Episcopal Church in the Diocese in Texas (the Diocese), which was organized in Texas in 1836 and is a part of the Protestant Episcopal Church in the United States of America. The Diocese is an ecclesiastical territory that extends from the Louisiana border to portions of central, eastern, and southeastern Texas. The authority of the Diocese is vested in the Bishop, the Council of the Diocese, and a standing committee.

Church Corporation, created in 1886, is authorized to receive, hold, manage, and administer funds and properties acquired by gift or purchase for the use and benefit of the Diocese and any Diocesan institution. Additionally, it receives, holds, and manages funds held for the use and benefit of any parish or mission in the Diocese. Church Corporation is composed of the following funds:

- *Episcopal Housing Trust* provides residential housing or housing allowances for the Bishops of the Diocese and other clergy on the Diocesan staff.
- *Clergy Housing Trust* assists in providing residential housing loans or housing allowances for clergy canonically resident and engaged in full-time work within the Diocese.
- *Diocesan Properties Fund* holds property not being used by a constituent of the Diocese and facilitates the purchase and sale of real property within the Diocese.
- *Participating Funds* is an investment pool managed by Church Corporation. Church Corporation holds and manages portfolios of investments that are comprised of its own assets, as well as custodial assets held on behalf of related parishes and schools and other related Diocesan entities.

Related entities - The Executive Board of the Diocese is composed of the Bishop and fifteen members elected annually by the Council of the Diocese. The Executive Board is responsible for the supervision and direction of Church Corporation and the following related Diocesan operating entities:

- *Episcopal Diocese of Texas (EDOT)* is an operating unit of special accounts used to carry out the ministry of the Diocese and is supported primarily by parish assessments.
- *EDOT Financial Services Corporation* was created to provide human resource, accounting, financial, and investment management services support to the related Diocesan operating entities, as well as administering health benefits for clergy and certain lay employees throughout the Diocese.
- *The Great Commission Foundation (GCF)* was created in 2013 to support missionary and church planting strategies of the Diocese.
- *Episcopal Foundation of Texas (EFT)* was created to hold and administer certain assets for the purpose of providing grants and loans for religious, educational, and charitable purposes to designated entities of the Diocese.
- *The Bishop Quin Foundation (Bishop Quin)* was created in 1943 to commemorate the 25th anniversary of the consecration of the Right Reverend Clinton S. Quin as Bishop. The broad objectives of Bishop Quin include such religious, charitable, and educational activities as determined by the Bishop and the Board of Trustees to be in furtherance of the spiritual and physical welfare of the Diocese.
- *The Episcopal Health Foundation (EHF)* was created in 2013 with proceeds from the transfer of the membership of the St. Luke's Episcopal Health System to an unrelated not-for-profit entity. The focus of EHF is to promote the health and well-being of the 10 million people in the 57 counties of the Episcopal Diocese of Texas.

Church Corporation routinely engages in transactions with related entities that are directly or indirectly governed by the Council of the Diocese. These entities include parishes, schools, missions, and other Diocesan entities.

Basis of presentation - These financial statements include only the assets, liabilities, net assets and financial activities of Church Corporation. The accompanying financial statements do not include the assets, liabilities, net assets, and financial activities of the related Diocesan operating entities, parishes, schools, missions, or other Diocesan entities. Each of these related entities is an operating entity distinct from Church Corporation, maintains separate financial records, and administers its own services and programs.

Federal income tax status - Church Corporation is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code as a religious organization and is classified as a public charity under §170(b)(1)(A)(i) under the group exemption of the Protestant Episcopal Church in the United States of America.

Notes receivable are reported at estimated net realizable value. Allowances for notes receivable are provided when it is believed they may not be collected in full and are adjusted annually to reflect changes in the expected future cash flows from impaired notes. The amount of bad debt expense recognized each period and the resulting adequacy of the allowance at the end of each period are determined using a specific analysis of each receivable balance. A note receivable is considered impaired when it is considered probable that Church Corporation will not collect all principal and interest amounts due under the terms of the agreement. No interest is accrued on impaired notes. It is possible that management's estimate regarding the collectability of these balances will change in the near term resulting in a change in the carrying value of receivables. At December 31, 2018, one note from a third party and one note from a parish have been deemed impaired and have been fully reserved in the allowance.

Land and buildings held for sale are reported at the lower of cost or fair value (net of selling costs).

Investments are reported at fair value. Purchases and sales of investments are reported on a trade-date basis. Realized and unrealized gains and losses on investments are determined by comparison of average costs of acquisitions to proceeds at the time of disposal, or stated fair value at the last day on the fiscal year, respectively. Interest and dividends are recognized as earned. Investment return is reported in the statement of activities as an increase in *net assets without donor restrictions* unless the use of the income is limited by donor-imposed restrictions.

Property is reported at cost if purchased and at fair value at the date of gift if donated. The title of all real property acquired or contributed to the Diocese is held by Church Corporation, except for real property, whose title is held by EFT, GCF, and Bishop Quin. These financial statements include only property used for the Diocesan Center, closed parishes, college ministries, and housing for bishops and clergy of the Diocese. Property transferred to Church Corporation by a parish no longer functioning as a church is reported at fair value at the time it is transferred from the congregation. Land and buildings for housing not utilized for Diocesan operations are not depreciated and are reported at cost.

Funds held for related entities consist of amounts collected on behalf of related entities where Church Corporation acts as a custodial agent in collecting, disbursing, and investing funds. The transactions for these custodial accounts are not reflected as revenue or expenses in the statement of activities.

Net asset classification - Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service. Donor-restricted endowment earnings are released when those earnings are appropriated in accordance with spending policies and are used for the stipulated purpose.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support. Conditional contributions are recognized in the same manner when the conditions are substantially met.

Functional allocation of expenses - Expenses are reported by their functional classification as program services or supporting activities. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Management and general activities are not directly identifiable with specific program activities. All of Church Corporation's expenses are directly attributable to either program activities or management and general activities.

Estimates - Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 - ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14

Church Corporation adopted the amendments of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. These amendments have been applied on a retrospective basis to the financial statements for the year ended December 31, 2017, except that information regarding liquidity and availability of resources has been omitted as permitted by the ASU. Adoption of this ASU resulted in reclassification of previously reported activities and net assets to conform to the 2018 presentation but had no impact on total net assets or total changes in net assets for 2017.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2018 comprise the following:

Financial assets at December 31, 2018:

Cash	\$ 80,543
Notes receivable	2,641,198
Other assets	302,940
Investments	<u>37,638,273</u>
Total financial assets	40,662,954
Less financial assets not available for general expenditures:	
Donor-restricted and board-designated endowment assets	
less appropriation for 2019	(20,913,024)
Funds held for related entities	(15,836,457)
Notes receivable without an established due date	(2,026,735)
Other donor-restricted assets subject to satisfaction of restriction	<u>(650,232)</u>
Total financial assets available for general expenditures	<u>\$ 1,236,506</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Church Corporation considers all expenditures related to its ongoing program activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

As part of Church Corporation's liquidity management, it structures its financial assets to be available as general expenditures and liabilities become due or as additional funding opportunities are presented by maintaining a significant portion of its assets in mutual funds and equity securities.

Church Corporation's assets are invested for long-term appreciation and current income, but the Board of Trustees has designated a portion of its resources without donor restrictions as board-designated for endowment to be spent at the Board's discretion. Church Corporation's spending policy provides for an annual spending rate not to exceed 3% of the Participating Funds' average market value over the prior three years as of December 31 preceding the fiscal year in which the distribution is planned. This policy acknowledges the potential for additional withdrawals to fund ministry needs with required approval from the Board of Trustees. Notes receivable without an established due date have been excluded from general operations.

NOTE 4 - NOTES RECEIVABLE

Church Corporation provides housing loans to bishops of the Diocese, clergy on Diocesan staff, and clergy working within the Diocese. Interest rates range from 5% to 6% and repayment terms require periodic payments of principal and interest over periods ranging from 1 to 14 years. These notes receivable are secured by land and houses. Additionally, Church Corporation provides property loans to parishes and missions within the Diocese. Church Corporation holds title to these properties. Interest rates range from 2.5% to 6% and repayment terms require periodic payments of principal and interest ranging from 1 to 4 years.

Notes receivable from others are from two external organizations for the purchase of property with interest rates ranging from 2.5% to 7.25%. Payment terms require periodic payments of principal and interest ranging from 1 to 5 years. The notes are secured by land and buildings.

NOTE 5 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In accordance with ASU 2015-07, *Fair Value Measurements*, investments for which fair value is measured at net asset value per share (or its equivalent) using the practical expedient have not been categorized in the fair value hierarchy. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date. The types of investments included in Level 1 are securities traded and valued based upon a public exchange.
- *Level 2* – Inputs are quoted prices in nonactive markets or in active markets for similar assets or liabilities, or inputs which are either directly or indirectly observable with observable market data at the reporting date. Level 2 investments are priced by independent, industry recognized vendors contracted by Church Corporation's custodian or independent appraisals.
- *Level 3* – Inputs are not observable and are based on the reporting entity's assumptions about the inputs market participants would use in pricing the asset or liability. Inputs are unobservable for the asset and include situations where there is little, if any, market activity for the investment.

Assets measured at fair value at December 31, 2018 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
International equity securities	\$ 10,916,149			\$ 10,916,149
Domestic equity securities:				
Large-cap	5,031,309			5,031,309
Preferred shares	1,382,390			1,382,390
Mid-cap	666,849			666,849
Small-cap	511,297			511,297
Other	1,591,521			1,591,521
Fixed-income mutual funds	3,637,224			3,637,224
U. S. Treasury securities		\$ 1,451,143		1,451,143
Money market mutual funds	1,337,952			1,337,952
Corporate bonds and notes		1,165,528		1,165,528
Mortgage-backed securities		773,190		773,190
Exchange-traded funds	<u>465,303</u>			<u>465,303</u>
Total	<u>\$ 25,539,994</u>	<u>\$ 3,389,861</u>	<u>\$ 0</u>	28,929,855
Other investments measured at net asset value using the practical expedient:				
Global long/short hedge fund (a)				5,613,645
Absolute return hedge fund (b)				<u>3,094,773</u>
Total investments measured at fair value				<u>\$ 37,638,273</u>

Assets measured at fair value at December 31, 2017 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Investments:				
International equity securities	\$ 10,144,045			\$ 10,144,045
Domestic equity securities:				
Large-cap	5,323,777			5,323,777
Preferred shares	1,434,026			1,434,026
Mid-cap	1,166,368			1,166,368
Small-cap	2,012,049			2,012,049
Other	1,653,032			1,653,032
Fixed-income mutual funds	3,246,782			3,246,782
U. S. Treasury securities		\$ 819,594		819,594
Money market mutual funds	1,500,780			1,500,780
Corporate bonds and notes		1,286,130		1,286,130
Mortgage-backed securities		954,732		954,732
Exchange-traded funds	<u>3,005,292</u>			<u>3,005,292</u>
Total	<u>\$ 29,486,151</u>	<u>\$ 3,060,456</u>	<u>\$ 0</u>	32,546,607
Other investments measured at net asset value using the practical expedient:				
Global long/short hedge fund (a)				5,690,525
Absolute return hedge fund (b)				<u>3,019,125</u>
Total investments measured at fair value				<u>\$ 41,256,257</u>

- (a) Global long/short fund is a multi-manager fund of funds that seeks to achieve its objective by deploying its assets primarily to subadvisors who invest principally in global equity markets by employing an investing style known as long/short. This style combines long investments with short sales in the pursuit of opportunities in rising or declining markets. By allocating capital to different long/short strategies (either within selected industry sectors or geographic regions), managed by multiple subadvisors, the fund seeks to provide investors access to diversified long/short investment vehicles while attempting to limit the risks associated with investing with a single portfolio manager. The fund is primarily allocated among 20 to 30 long/short specialist managers that incorporate a range of styles from fundamental bottom-up stock selection to quantitatively driven trend-followers. As of the end of the reporting period, there were no fund investments subject to gated restrictions. Redemption of shares is allowed at the end of each fiscal quarter with 60-days prior written notice and at the end of each calendar month with 90-days prior written notice. There are no unfunded commitments at December 31, 2018.
- (b) Absolute return hedge fund invests primarily in relative value, event driven, long/short credit, and distressed securities strategies. The fund is designed to have low sensitivity to broad equity market returns. The fund's strategy is to invest in market-neutral and market-uncorrelated investment strategies in a combination that may deliver consistently positive and uncorrelated (to broad equity and fixed-income market indices) monthly returns. Fund investments are subject to gated restrictions upon liquidation requests. The provision of these restrictions is based upon the discretion of the investment manager and surrounding circumstances of market and economic events at the time of liquidation. As of the end of the reporting period, there were no fund investments subject to gated restrictions. Redemption of shares is allowed semi-annually based on the anniversary date of the investment with 95-days written notice. There are no unfunded commitments at December 31, 2018.

Valuation methods used for assets measured at fair value are as follows:

- *Equity securities* and *exchange-traded funds* are valued at the closing price reported on the active market on which the individual securities are traded.
- *Mutual funds* are valued at the reported net asset value.

- *U. S. Treasury securities, corporate bonds and notes, and mortgage-backed securities* are valued using prices obtained from independent quotation bureaus that use computerized valuation formulas which may include market-corroborated inputs for credit risk factors, interest rate and yield curves, and broker quotes to calculate fair values.
- *Hedge funds* are valued at the net asset value utilized as a practical expedient as determined by the fund management and supported by the audited financial statements of the funds.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Church Corporation believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Investments are exposed to various risks such as interest rate, market and credit risks. In addition to risks associated with other investments, alternative investments in securities other than stocks and bonds include additional risks because of their complex nature and limited regulations resulting in a greater risk of losing invested capital. Such risks include, but are not limited to, limited liquidity, absence of oversight, dependence upon key individuals, emphasis on speculative investments (both derivatives and nonmarketable investments), and nondisclosure of portfolio composition. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

Investment return consists of the following:

	<u>2018</u>	<u>2017</u>
Interest and dividends and mineral royalties	\$ 943,605	\$ 821,243
Net realized and unrealized gain (loss)	(3,893,379)	3,743,798
Foreign taxes	(59,402)	(40,724)
Investment management and custodial fees	<u>(146,688)</u>	<u>(168,865)</u>
Total investment return	(3,155,864)	4,355,452
Investment return allocated to funds held for related entities	<u>1,325,350</u>	<u>(1,821,701)</u>
Investment return, net	<u>\$ (1,830,514)</u>	<u>\$ 2,533,751</u>

NOTE 6 - PROPERTY

Property consists of the following:

	<u>2018</u>	<u>2017</u>
Buildings used in ministry:		
Diocesan Center	\$ 3,436,640	\$ 3,436,640
Other ministries	<u>494,100</u>	<u>494,100</u>
Total depreciable assets	3,930,740	3,930,740
Less: Accumulated depreciation	<u>(1,498,872)</u>	<u>(1,400,849)</u>
Net depreciable assets	2,431,868	2,529,891
Land used for ministry:		
Diocesan Center	2,220,000	2,220,000
Other ministries	201,470	201,470
Land and buildings held for anticipated future parish or school use	1,531,105	1,531,105
Land and buildings - Diocesan clergy housing	<u>3,555,696</u>	<u>3,555,696</u>
Property, net	<u>\$ 9,940,139</u>	<u>\$ 10,038,162</u>

NOTE 7 - NOTES PAYABLE

Notes payable consist of the following:

	<u>2018</u>	<u>2017</u>
Non-interest bearing note payable to GCF	\$ 6,293,007	\$ 6,293,007
Bank line of credit of \$5,000,000 with interest rate of prime less .75% (4.75% at December 31, 2018) through January 2020	436,905	2,272,203
Note payable to Bishop Quin with interest only at rate of 2.5%	<u>436,230</u>	<u>436,230</u>
Total notes payable	<u>\$ 7,166,142</u>	<u>\$ 9,001,440</u>

The note payable to GCF is to be repaid from the net proceeds of land and buildings that are no longer being used as church sites. At December 31, 2018, land and buildings reported at approximately \$665,000 are being marketed for sale. During 2018, GCF's Board of Trustees passed a resolution allowing Church Corporation to use the proceeds from the sale of land and buildings in 2018 to reduce Church Corporation's outside debt. The bank line of credit is due to be repaid in 2020 unless Church Corporation renews the agreement. The note payable to Bishop Quin of \$436,230 is interest only until the remaining principal is paid, which is due in June 2019.

Interest expense for the years ended December 31, 2018 and 2017 was approximately \$366,000 and \$305,000, respectively. The 2018 and 2017 amount includes imputed interest at a rate of 4.75% and 3.5%, respectively, totaling \$261,000 and \$226,000 related to the non-interest bearing note to GCF, respectively.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Church Corporation, as well as the related Diocesan operating entities of the Diocese, purchase professional and general liability insurance to cover losses that may result from asserted claims, as well as claims from unknown incidents that may be asserted in the future. Management does not expect such losses to have a material adverse effect on the financial position of Church Corporation.

Church Corporation is the guarantor on a \$1,000,000 line of credit for the Diocese. At December 31, 2018, there is no outstanding balance on this line of credit. Additionally, Church Corporation assists related entities such as parishes and schools in obtaining construction loans and acts as a guarantor on approximately \$2,900,000 of such loans with loan maturities through 2037.

NOTE 9 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are designated as follows:

	<u>2018</u>	<u>2017</u>
Diocesan Properties Fund	\$ 4,539,221	\$ 4,793,126
Participating Funds	3,405,323	4,401,386
Clergy Housing Trust	605,426	665,417
Episcopal Housing Trust	<u>524,020</u>	<u>594,200</u>
Total net assets without donor restrictions	<u>\$ 9,073,990</u>	<u>\$ 10,454,129</u>

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose:		
Church growth and expansion (We Are One Campaign)	\$ 650,232	\$ 650,215
Endowments subject to spending policy and appropriation:		
Joan Golden Estate for support of abused children	5,187,112	5,611,684
Elise Casey Episcopal Trust for senior adult support	3,877,063	4,220,365
Ethel J. Ogden Restricted Episcopal Trust for youth education	1,443,352	1,476,493
Episcopal Endowment Fund for bishop support	522,104	585,086
Valda McWhirter Estate - Scholarship for St. Alban's, Waco	421,146	472,365
Wallace O. Breedlove Family Fund for missions	403,243	438,950
Bishop Kinsolving Memorial Scholarship Fund	367,380	411,185
Ralph Spence Clergy Spouses Fund	306,386	351,639
Elma Robertson Estate for family support	299,248	335,661
Valda McWhirter Estate - Scholarship for St. Alban's, Waco	249,992	272,128
The Reverend William David Roberts Memorial Fund for Iona School	188,615	216,538
Wimberly Legacy Fund	175,195	190,706
Kathy Wheless Memorial Scholarship Fund	162,873	177,296
Francis Emmett Stevens Fund for needs of the impoverished	108,186	117,764
St. Luke's Chaplaincy Fund	101,318	110,288
Diocesan Scholarship Fund for nursing	78,972	85,962
Robert Maxey Episcopal Bequest benefits All Saints Chapel, Austin and St. David's Church, Austin	2,656,409	2,930,236
Bishop's Leadership Council Endowment benefits - EHF	961,652	1,060,779
SLEHC 15 th Anniversary Endowment benefits - EHF	163,520	180,376
Cynthia M. Hess Fund benefits - St. Cyprian's Church	124,818	137,457
Other	<u>238,400</u>	<u>252,480</u>
Total endowments	<u>18,036,984</u>	<u>19,635,438</u>
Total net assets with donor restrictions	<u>\$ 18,687,216</u>	<u>\$ 20,285,653</u>

NOTE 11 - ENDOWMENT FUNDS

Participating Funds of Church Corporation include approximately 39 individual funds that are established for a variety of purposes. Endowment assets include those assets of donor-restricted funds that Church Corporation must hold in perpetuity or for a donor-specified period, as well as board-designated funds.

Endowment net asset composition as of December 31, 2018:

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
Donor-restricted endowment funds:			
Original gifts required to be maintained in perpetuity		\$ 3,825,580	\$ 3,825,580
Original gifts and accumulated net investment return		14,211,404	14,211,404
Board-designated endowment funds and accumulated net investment return	<u>\$ 3,405,323</u>		<u>3,405,323</u>
Endowment net assets	<u>\$ 3,405,323</u>	<u>\$ 18,036,984</u>	<u>\$ 21,442,307</u>

Endowment net asset composition as of December 31, 2017:

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Donor-restricted endowment funds:			
Original gifts required to be maintained in perpetuity		\$ 4,111,465	\$ 4,111,465
Original gifts and accumulated net investment return		15,523,973	15,523,973
Board-designated endowment funds and accumulated net investment return	\$ 4,401,385		4,401,385
Endowment net assets	\$ 4,401,385	\$ 19,635,438	\$ 24,036,823

Changes in endowment net assets are as follows:

		WITH DONOR RESTRICTIONS		
ENDOWMENTS AND BOARD-DESIGNATED ENDOWMENT	ENDOWMENTS	ACCUMULATED NET INVESTMENT RETURN	REQUIRED TO BE MAINTAINED IN PERPETUITY	TOTAL
Endowment net assets, December 31, 2016	\$ 4,176,747	\$ 9,639,109	\$ 3,807,375	\$ 17,623,231
Contributions and transfers	242	4,408,602		4,408,844
Net investment return	531,645	1,697,898	304,090	2,533,633
Other administrative costs	(20,819)	(66,197)		(87,016)
Distributions	(286,430)	(155,439)		(441,869)
Endowment net assets, December 31, 2017	4,401,385	15,523,973	4,111,465	24,036,823
Contributions	22,200	230,004		252,204
Net investment return	(328,702)	(1,216,502)	(285,885)	(1,831,089)
Other administrative costs	(20,487)	(96,754)		(117,241)
Distributions	(669,073)	(229,317)		(898,390)
Endowment net assets, December 31, 2018	\$ 3,405,323	\$ 14,211,404	\$ 3,825,580	\$ 21,442,307

The Church Corporation's funds include both donor-restricted endowment funds and funds designated by the Board of Trustees (the Board) to function as endowments. Donor-restricted endowment funds are subject to the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA). The Board has interpreted TUPMIFA as allowing the Church Corporation to appropriate for expenditure or accumulate as much of a fund as it determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund was established, subject to explicit donor stipulations.

Donor-restricted endowment net assets are classified as *net assets with donor restrictions* until appropriated in accordance with spending policies and used for the stipulated purpose, if any. In the absence of explicit donor stipulations otherwise, the Church Corporation classifies contributions to an endowment as *net assets with donor restrictions required to be maintained in perpetuity*. Contributions that donors have specified do not have to be maintained in perpetuity and unappropriated investment earnings on donor-restricted endowments are classified as *net assets with donor restrictions*. The Board has interpreted TUPMIFA as not precluding the Church Corporation from spending below the amount required to be maintained in perpetuity subject to prudent standards. An endowment fund is *underwater* if the fair value of the fund's investments falls below the amount required to be maintained in perpetuity because of declines in the fair value of investments and/or continued appropriation and spending in accordance prudent measures.

Board-designated endowment funds are classified as *net assets without donor restrictions* and represents the funds the Board has internally designated to be invested to provide support for the Diocese generally for a long-term but not necessarily a specified period of time. The Board retains discretion over the use of these funds.

Return Objectives and Investment Strategies

Church Corporation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and entities supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a portfolio that is invested 60% in the S&P 500 Index and 40% in the Barclays Intermediate Bond Index while assuming a moderate level of investment risk. Church Corporation expects its endowment funds, over time, to provide an average rate-of- return of approximately 5% annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, Church Corporation relies on a total return strategy in which investment return is achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Church Corporation targets a diversified asset allocation that places a greater emphasis on equity- based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy

Church Corporation has a policy of not appropriating more than 3% of the Participating Funds' average market value over the prior three years as of December 31 preceding the fiscal year in which the distribution is planned. In establishing this policy, Church Corporation considered the long-term expected return and the effects of inflation on its endowments. Accordingly, over the long term, Church Corporation expects the current spending policy to allow its endowment to grow at an average rate of 2% annually. This is consistent with Church Corporation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or TUPMIFA requires Church Corporation to retain the fund as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in *net assets with donor restrictions*. There were no such deficiencies at December 31, 2018 or 2017.

NOTE 12 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 28, 2019, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

Protestant Episcopal Church Council of the Diocese of Texas
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Supplemental Statement of Activities by Fund for the year ended December 31, 2018

	EPISCOPAL HOUSING TRUST	CLERGY HOUSING TRUST	DIOCESAN PROPERTIES FUND	PARTICIPATING FUNDS	TOTAL
REVENUE:					
Contributions			\$ 9,006	\$ 252,204	\$ 261,210
Investment return, net		\$ 18	557	(1,831,089)	(1,830,514)
Interest on notes receivable		16,089	73,158		89,247
Support from other Diocesan operating entities			260,808		260,808
Gain on sale of property held for sale			112,102		112,102
Total revenue		16,107	455,631	(1,578,885)	(1,107,147)
EXPENSES:					
Program services:					
Grants to related entities				699,834	699,834
Imputed interest on note payable to Great Commission Foundation			260,808		260,808
Grants to other Diocesan operating entities				146,285	146,285
Depreciation			98,023		98,023
Interest	\$ 29,561		64,768		94,329
Grants to unrelated entities				53,109	53,109
Repairs and maintenance	13,552		13,551		27,103
Interest to Diocesan operating entities			10,906		10,906
Total program services	43,113		448,056	899,228	1,390,397
Management and general supporting services:					
Diocesan operating entities - administrative services	23,302	69,908	186,422	100,602	380,234
Other	3,765	6,190	75,041	15,802	100,798
Total expenses	70,180	76,098	709,519	1,015,632	1,871,429
CHANGES IN NET ASSETS	(70,180)	(59,991)	(253,888)	(2,594,517)	(2,978,576)
Net assets, beginning of year	594,200	665,417	5,443,341	24,036,824	30,739,782
Net assets, end of year	\$ 524,020	\$ 605,426	\$ 5,189,453	\$ 21,442,307	\$ 27,761,206

Protestant Episcopal Church Council of the Diocese of Texas
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Supplemental Statement of Activities by Fund for the year ended December 31, 2017

	EPISCOPAL HOUSING TRUST	CLERGY HOUSING TRUST	DIOCESAN PROPERTIES FUND	PARTICIPATING FUNDS	TOTAL
REVENUE:					
Contributions			\$ 954,805	\$ 149,765	\$ 1,104,570
Change in value of beneficial interest in a trust				101,182	101,182
Investment return, net		\$ 28	90	2,533,633	2,533,751
Interest on notes receivable	\$ 6,547	16,381	80,057		102,985
Support from other Diocesan operating entities			226,462		226,462
Loss on valuation of property held for sale			(463,834)		(463,834)
Total revenue	6,547	16,409	797,580	2,784,580	3,605,116
EXPENSES:					
Program services:					
Grants to related entities			9,289	89,131	98,420
Imputed interest on note payable to Great Commission Foundation			226,462		226,462
Grants to other Diocesan operating entities				123,082	123,082
Depreciation			98,023		98,023
Interest	18,460		49,291		67,751
Grants to unrelated entities				73,550	73,550
Repairs and maintenance	55,216		24,068		79,284
Interest to Diocesan operating entities			10,905		10,905
Total program services	73,676		418,038	285,763	777,477
Management and general supporting services:					
Diocesan operating entities - administrative services	18,498	55,491	147,978	84,813	306,780
Other	10,767	5,850	34,869	16,976	68,462
Total expenses	102,941	61,341	600,885	387,552	1,152,719
Interfund transfers	141,333		(4,157,898)	4,016,565	
CHANGES IN NET ASSETS	44,939	(44,932)	(3,961,203)	6,413,593	2,452,397
Net assets, beginning of year	549,261	710,349	9,404,544	17,623,231	28,287,385
Net assets, end of year	\$ 594,200	\$ 665,417	\$ 5,443,341	\$ 24,036,824	\$ 30,739,782

EPISCOPAL FOUNDATION OF TEXAS

The value of the Episcopal Foundation of Texas increased through the first three quarters of 2019 as a result of appreciation of the investment portfolio. At the end of the 3rd quarter in 2019 the assets of the Foundation totaled just over \$80.0 million which represents an increase in market value of just under \$10.0 million since the beginning of 2019. An increase in the value of the Foundation may provide a small increase in the funds available for grants in 2020, depending on the performance of the investment portfolio in the fourth quarter of 2019. The Episcopal Foundation of Texas provided grants funds to the Bishop Quin Foundation in 2019 to assist congregations that had been impacted by Hurricane Harvey. Below is a list of the funds allocated to the various institutions the Episcopal Foundation of Texas supports during the calendar year 2019.

Grants in 2019:

St. Vincent's House	\$ 150,000
El Buen Samaritano	350,000
Seminary of the Southwest	961,367
Camp Allen	610,000
Episcopal High School, Houston	166,666
The Bishop Quin Foundation	679,000
The Bishop Quin Foundation Strategic Mission Grants	219,250
Tithe Grants	<u>450,000</u>
Total:	\$3,586,283

The accounting firm of Blazek & Vetterling LLP has completed auditing The Episcopal Foundation of Texas for the year 2018. There were no significant changes recommended in our accounting procedures. Copies of the Audit report are available in the Diocesan office and can be reviewed upon request.

If you have any questions about the Episcopal Foundation of Texas, please feel free to call me at the Diocesan Headquarters.

Bruce Harper, President

Episcopal Foundation of Texas
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2018
and 2017

Episcopal Foundation of Texas
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

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Independent Auditors' Report

To the Board of Trustees of
Episcopal Foundation of
Texas:

We have audited the accompanying financial statements of Episcopal Foundation of Texas (an instrumentality of the Protestant Episcopal Church in the Diocese of Texas), which comprise the statements of financial position as of December 31, 2018 and 2017 and the related statements of activities and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

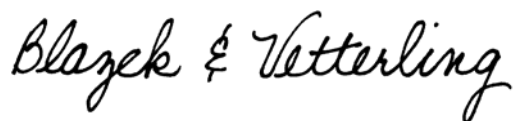
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Episcopal Foundation of Texas as of December 31, 2018 and 2017 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standard

As discussed in Note 2 to the financial statements, Episcopal Foundation of Texas adopted the amendments of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. These amendments have been applied on a retrospective basis to the financial statements as of and for the year ended December 31, 2017, except that certain information has been omitted as permitted by the ASU. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. Supplementary information in the fund financial statements on pages 14 through 17 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Blazek & Vetterling". The script is cursive and fluid, with the ampersand clearly visible.

June 28, 2019

Episcopal Foundation of Texas
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Statements of Financial Position as of December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash equivalents <i>(Note 4)</i>	\$ 3,037,762	\$ 2,875,831
Investment income receivable	654,934	246,271
Investments <i>(Note 4)</i>	66,263,516	68,641,513
Property, net <i>(Note 5)</i>	<u>664,360</u>	<u>740,720</u>
TOTAL ASSETS	<u>\$ 70,620,572</u>	<u>\$ 72,504,335</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Due to other Diocesan operating entities	\$ 44,552	\$ 48,926
Grants payable <i>(Note 6)</i> :		
Unrelated entities	85,000	250,000
Related entities, net	3,437,708	1,798,461
Diocesan operating entities	<u>143,503</u>	<u>61,690</u>
Total liabilities	<u>3,710,763</u>	<u>2,159,077</u>
Net assets without donor restrictions:		
Coffield income fund	258,856	1,639,712
Coffield principal fund	66,380,014	68,388,702
Memorial fund	<u>270,939</u>	<u>316,844</u>
Total net assets without donor restrictions	<u>66,909,809</u>	<u>70,345,258</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 70,620,572</u>	<u>\$ 72,504,335</u>

See accompanying notes to financial statements.

Episcopal Foundation of Texas
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Statements of Activities for the years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
REVENUE:		
Investment return, net <i>(Note 4)</i>	\$ 1,474,352	\$ 10,182,736
Rent income from Diocesan operating entities <i>(Note 5)</i>	59,616	59,616
Other income	<u>9,669</u>	<u>52,637</u>
Total revenue	<u>1,543,637</u>	<u>10,294,989</u>
EXPENSES:		
Grants to related entities	3,289,306	1,750,522
Grants to other Diocesan operating entities	886,664	243,735
Grants to unrelated entities	<u>320,000</u>	<u>263,000</u>
Total program grants	<u>4,495,970</u>	<u>2,257,257</u>
Management and general:		
Diocesan operating entities – administrative services	369,199	322,232
Depreciation	76,360	76,360
Other administrative	<u>37,557</u>	<u>41,245</u>
Total supporting services	<u>483,116</u>	<u>439,837</u>
Total expenses	<u>4,979,086</u>	<u>2,697,094</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(3,435,449)	7,597,895
Net assets without donor restrictions, beginning of year	<u>70,345,258</u>	<u>62,747,363</u>
Net assets without donor restrictions, end of year	<u>\$ 66,909,809</u>	<u>\$ 70,345,258</u>

See accompanying notes to financial statements.

Episcopal Foundation of Texas
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Statements of Cash Flows for the years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets without donor restrictions	\$ (3,435,449)	\$ 7,597,895
Adjustments to reconcile changes in net assets without		
donor restrictions to net cash provided by operating	5,546,658	(6,676,225)
Depreciation	76,360	76,360
Changes in operating assets and		
liabilities: Investment income	(408,663)	(74,919)
Due to other Diocesan operating entities	(4,374)	15,269
Grants payable	<u>1,556,060</u>	<u>159,852</u>
Net cash provided by operating activities	<u>3,330,592</u>	<u>1,098,232</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	11,896,180	10,685,332
Purchases of investments	(14,562,397)	(10,480,211)
Change in money market mutual funds held as investments	<u>(502,444)</u>	<u>(206,268)</u>
Net cash used by investing activities	<u>(3,168,661)</u>	<u>(1,147)</u>
NET CHANGE IN CASH EQUIVALENTS	161,931	1,097,085
Cash equivalents, beginning of year	<u>2,875,831</u>	<u>1,778,746</u>
Cash equivalents, end of year	<u>\$ 3,037,762</u>	<u>\$ 2,875,831</u>

See accompanying notes to financial statements.

Episcopal Foundation of Texas
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Notes to Financial Statements for the years ended December 31, 2018 and 2017

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Episcopal Foundation of Texas (the Foundation), a Texas nonprofit corporation, is an instrumentality of the Protestant Episcopal Church in the Diocese of Texas (the Diocese). The Diocese is an ecclesiastical territory that extends from the Louisiana border to portions of central, eastern, and southeastern Texas. The authority of the Diocese is vested in the Bishop, the Council of the Diocese, and a standing committee. The Foundation was designated by the Diocese to hold and administer certain assets for the purpose of providing grants and loans for religious, educational, and charitable purposes to eight specific entities connected with the Diocese as established by Canon. The Foundation is governed by a Board of Trustees that is elected by the Council of the Diocese upon nomination of the Diocesan Bishop.

Related entities – The Executive Board (the Board) of the Diocese is composed of the Bishop and fifteen members elected annually by the Council of the Diocese. Pursuant to various Canons, the Board has certain oversight responsibilities relating to the affairs of the Foundation and the following related Diocesan operating entities:

- *Episcopal Diocese of Texas (EDOT)* is an operating unit of special accounts used to carry out the ministry of the Diocese and is supported primarily by parish assessments.
- *EDOT Financial Services Corporation* was created to provide human resource, accounting, financial and investment management services support to the related Diocesan operating entities, as well as administering health benefits for clergy and certain lay employees throughout the Diocese.
- *Protestant Episcopal Church Council of the Diocese of Texas (Church Corporation)* receives, holds, manages, and administers funds and properties acquired by gift or purchase for the use and benefit of the Diocese and any Diocesan institution. Additionally, it may also receive, hold, and manage funds held for the use and benefit of any parish or mission in the Diocese.
- *The Great Commission Foundation (GCF)* was created in 2013 to support missionary and church planting strategies of the Diocese.
- *The Bishop Quin Foundation (Bishop Quin)* was created in 1943 to commemorate the 25th anniversary of the consecration of the Right Reverend Clinton S. Quin as Bishop. The broad objectives of Bishop Quin include such religious, charitable, and educational activities as determined by the Bishop and the Board of Trustees to be in furtherance of the spiritual and physical welfare of the Diocese.
- *The Episcopal Health Foundation (EHF)* was created in 2013 with proceeds from the transfer of the membership of the St. Luke's Episcopal Health System to an unrelated not-for-profit entity. The focus of EHF is to promote the health and well-being of the 10 million people in the 57 counties of EDOT.

The Foundation routinely engages in transactions with related entities that are directly or indirectly governed by the Council of the Diocese. These entities include parishes, schools, missions, and other Diocesan entities.

Basis of presentation – These financial statements include only the assets, liabilities, net assets, and activities of the Foundation. The accompanying financial statements do not include the assets, liabilities,

net assets, and activities of the related Diocesan operating entities, parishes, missions or other Diocesan entities. Each of these related entities is an operating entity distinct from the Foundation, maintains separate financial records, and administers its own services and programs.

Federal income tax status – The Foundation is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code as a religious organization and is classified as a public charity under §170(b)(1)(A)(i) under the group exemption of the Protestant Episcopal Church in the United States of America.

Cash equivalents are invested in money market mutual funds that are readily convertible to cash. Cash equivalents that are invested for long-term purposes are grouped with investments.

Investments are reported at fair value except mineral rights, which are valued at cost less depletion and are fully depleted. Purchases and sales of investments are reported on a trade-date basis. Realized and unrealized gains or losses on investments are determined by comparison of average costs of acquisition to proceeds at the time of disposal or stated fair value at the last day of the fiscal year, respectively. Interest, dividends, and royalty income are recognized as earned. Investment return is reported in the statement of activities as an increase in net assets without donor restrictions unless the use of the income is limited by donor-imposed restrictions. Net investment return consists of interest and dividends, net realized and unrealized gains and losses, and royalties, net of external and direct internal investment expenses.

Property with a cost of \$500 or more and an estimated useful life of more than one year is capitalized and reported at cost, if purchased, and at fair value at the date of gift if donated. Depreciation is provided on a straight-line basis over the life of the associated lease for periods of 5 to 20 years.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation. The Board has designated net assets without donor restrictions for the following purposes:

- *Coffield income fund* is designated to support the operating costs of the Foundation, as well as for gifts, grants and loans to eight entities designated by Canon and other charitable trusts, nonprofit organizations and national organizations affiliated with the Protestant Episcopal Church in the United States of America and other Anglican and charitable organizations throughout the world.
- *Coffield principal fund* is comprised of all assets received from the Estate of H. H. Coffield, net of investment gains and losses and net oil and gas and lignite royalties. These funds are designated for loans to Bishop Quin and for gifts, grants, loans, or advances for the purpose of establishing memorials to H. H. Coffield. By the Board's action, income transfers are made from the principal fund to the income fund based on a percentage of the average fair market value of the fund for the prior twelve months. The percentage used in this calculation was 4% for 2018 and 2017. In addition, the Board has elected to transfer one-half of the annual net oil and gas royalties from the principal fund to the income fund.
- *Memorial fund* is comprised of assets other than those received from the Estate of H. H. Coffield and income from this fund is to be used to support seminarians, clergy and other charitable entities within

the Diocese.

Grants made are recognized as expense at fair value when the Foundation approves an unconditional commitment to a grant recipient. Conditional grants are recognized in the same manner when the conditions are substantially met by the recipient or when the possibility that the conditions will not be met is deemed remote. Commitments made but not yet funded are reported as grants payable. Grants payable in more than one year are reported at the present value of their future cash outflows using a risk-free, rate-of-return.

Functional allocation of expenses – Expenses are reported by their functional classification as program services or supporting activities. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Management and general activities are not directly identifiable with a specific program. All of the Foundation's expenses are directly attributable to either program activities or supporting activities.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Recent financial accounting pronouncement – In June 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction and provide additional guidance on determining whether a contribution is conditional or unconditional. This ASU could impact the timing of revenue recognition and the financial statement disclosures related to such transactions. The Foundation is required to apply the amendments in its December 31, 2020 financial statements. The amendments should be applied on a modified prospective basis, but retrospective application also is permitted. Management has not determined the eventual method of adoption of the ASU or the impact on the financial statements.

NOTE 2 – ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14

The Foundation adopted the amendments of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. These amendments have been applied on a retrospective basis to the financial statements for the year ended December 31, 2017, except that information regarding liquidity and availability of resources has been omitted as permitted by the ASU. Adoption of this ASU resulted in reclassification of previously reported activities and net assets to conform to the 2018 presentation but had no impact on total net assets or total changes in net assets for 2017.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2018 comprise the following:

Financial assets at December 31, 2018:

Cash equivalents	\$ 3,037,762
Investment income receivable	654,934
Investments	<u>66,263,516</u>
Total financial assets	69,956,212
Less financial assets not available for general expenditures in the coming year (based upon 4% approval for expenditures in	<u>(63,218,917)</u>
Total financial assets available for general expenditure	<u>\$ 6,737,295</u>

For purposes of analyzing resources available to meet expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing activities of providing grants and loans to 8 specific entities as established by Canon, as well as the conduct of services undertaken to support those activities, to be general expenditures.

As part of the Foundation's liquidity management, it structures its financial assets to be available as general expenditures and liabilities become due or as additional funding opportunities are presented by maintaining a significant portion of its assets in mutual funds.

The Foundation's investments are invested for long-term appreciation but remain available to be spent at the Board's discretion. By the Board's action, income transfers are made from the principal to the income fund. Generally, 4% of the three-year average value of the Foundation's portfolio is designed by the Board as available to meet general expenditures.

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In accordance with ASU 2015-07, *Fair Value Measurements*, investments for which fair value is measured at net asset value per share (or its equivalent) using the practical expedient have not been categorized in the fair value hierarchy. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date. The types of investments included in Level 1 are securities traded and valued based upon a public exchange.
- *Level 2* – Inputs are quoted prices in nonactive markets or in active markets for similar assets or liabilities, or inputs which are either directly or indirectly observable with observable market data at the reporting date. Level 2 investments are priced by independent, industry recognized vendors contracted by the Foundation's custodian or independent appraisals.

- *Level 3* – Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability. Inputs are unobservable for the asset and include situations where there is little, if any, market activity for the investment.

-

- Assets measured at fair value at December 31, 2018 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Cash equivalents:				
Money market mutual funds	<u>\$ 3,037,762</u>			<u>\$ 3,037,762</u>
Investments:				
Domestic large-cap exchange-traded funds	19,759,329			19,759,329
Mutual funds:				
Intermediate-term bond	12,026,339			12,026,339
World allocation	5,131,199			5,131,199
Domestic equity index	3,517,641			3,517,641
Money market	1,716,633			1,716,633
International equity securities:				
Developed markets	7,391,491			7,391,491
Emerging markets	219,910			219,910
Domestic equity securities:				
Mid-cap	1,366,299			1,366,299
Small-cap	1,199,647			1,199,647
International equity exchange-traded funds	6,787,033			6,787,033
Real estate investment trust funds	<u>205,762</u>			<u>205,762</u>
Total	<u>\$ 59,321,283</u>	<u>\$ 0</u>	<u>\$ 0</u>	59,321,283
Other investments measured at net asset value using the practical expedient:				
TIFF Absolute Return Pool (a)				4,035,389
Other partnerships (b)				<u>2,906,844</u>
Total investments measured at fair value				<u>\$ 69,301,278</u>

Assets measured at fair value at December 31, 2017 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Cash equivalents:				
Money market mutual funds	<u>\$ 2,875,831</u>			<u>\$ 2,875,831</u>
Investments:				
Domestic large-cap exchange-traded funds	20,757,501			20,757,501
Mutual funds:				
Intermediate-term bond	10,258,475			10,258,475
World allocation	5,477,973			5,477,973
Money market	1,214,189			1,214,189
International equity securities:				
Developed markets	8,287,026			8,287,026
Emerging markets	236,235			236,235
Domestic equity securities:				
Mid-cap	3,039,943			3,039,943
Small-cap	4,097,030			4,097,030
Large-cap	1,261,255			1,261,255
International equity exchange-traded funds	7,869,869			7,869,869
Real estate investment trust funds	231,011			231,011
Exchange-traded bond funds	68,209			68,209
Other	<u>9,677</u>			<u>9,677</u>
Total	<u>\$ 62,808,393</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>62,808,393</u>
Other investments measured at net asset value using the practical expedient:				
TIFF Absolute Return Pool (a)				4,135,614
Other partnerships (b)				<u>1,697,506</u>
Total investments measured at fair value				<u>\$ 71,517,344</u>

- (a) TIFF Absolute Return Pool is a fund that seeks to generate an annualized return equal to or greater than the 91-day U. S. Treasury bills plus 5%, net of all costs. This focus differs from one targeting relative returns (e.g., trying to beat the S&P 500 Index). The strategies the pool may employ, either directly or indirectly, include but are not limited to capital structure arbitrage, event driven, fixed-income, long/short equity, and directly investing in a range of derivatives, as well as selling and purchasing securities for hedging or investment purposes. The pool will employ a minimum of ten managers, with not more than 20% of the pool's assets allocated to a single manager. Redemptions are permitted at the end of the calendar quarter associated with the date of investment, subject to 100- days written notice, but may be limited by fund management based upon the liquidity of the underlying assets. The Foundation has no outstanding commitment at December 31, 2018.
- (b) Other partnerships include six partnerships: one which invests primarily in private equity funds investing in developing economies and emerging markets, and the other five invest in private equity strategies that may include venture capital, buyouts, natural resources, credit and distressed investments. Distributions are made solely at the discretion of the general partners. The Foundation has no ability for redemption until certain conditions exist for the partnership dissolution. At December 31, 2018, the Foundation has unfunded commitments for these partnerships totaling \$4,451,000.

Valuation methods used for assets measured at fair value are as follows:

- *Mutual funds* are valued at the net asset value of shares held at year end.
- *Exchange-traded funds, equity securities, and real estate investment trust funds* are valued at the closing price reported on the active market on which the individual securities are traded.
- *TIFF Absolute Return Pool and other partnerships* are valued at net asset value as a practical expedient provided by fund management and supported by the audited financial statements.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Investments are exposed to various risks such as interest rate, market, and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

Investment return, including earnings on cash equivalents, consists of the following:

	<u>2018</u>	<u>2017</u>
Net realized and unrealized (gain) loss	\$(5,546,657)	\$ 6,676,225
Interest and dividends	1,882,106	1,525,328
Royalty income	5,970,209	2,579,255
Foreign taxes, mineral interests, and production expenses	(364,455)	(174,937)
Investment management fees	<u>(466,851)</u>	<u>(423,135)</u>
Investment return, net	<u>\$ 1,474,352</u>	<u>\$10,182,736</u>

NOTE 5 – PROPERTY

Property consists of leasehold improvements and land held for future missions, as follows:

	<u>2018</u>	<u>2017</u>
Episcopal Diocesan Center in Austin	\$ 1,323,050	\$ 1,323,050
Accumulated depreciation	<u>(723,196)</u>	<u>(646,836)</u>
Leasehold improvements, net	599,854	676,214
Land held for future missions	<u>64,506</u>	<u>64,506</u>
Property, net	<u>\$ 664,360</u>	<u>\$ 740,720</u>

In 2008, the Foundation entered into a 20-year lease agreement with the Episcopal Theological Seminary of the Southwest. In lieu of rental payments, approximately \$1,300,000 in renovations were made by the Foundation. Subsequent to renovation, the building was subleased by the Foundation to the Diocese for use as the Diocesan Center in Austin for annual rent of approximately \$60,000 through 2029. Rent income recognized in 2018 and 2017 from the Diocese was approximately \$60,000.

Rent income from the Diocese at December 31, 2018 is expected to be collected as follows:

2019	\$ 59,616
2020	59,616
2021	59,616
2022	59,616
2023	59,616
Thereafter	<u>327,888</u>
Total	<u>\$ 625,968</u>

NOTE 6 – GRANTS PAYABLE

Grants payable at December 31, 2018 are expected to be paid as follows:

2019	\$ 1,350,170
2020	1,036,666
2021	870,000
2022	370,000
2023	120,000
Thereafter	<u>25,132</u>
Total grants payable	3,771,968
Discount to net present value at approximately 2%	<u>(105,757)</u>
Grants payable, net	<u>\$ 3,666,211</u>

The Foundation has made approximately \$455,000 in grants to Diocesan operating entities that are conditional upon the occurrence of certain events and have not been recognized as grants payable at December 31, 2018. Included in these amounts is approximately \$382,000 in a grant to Bishop Quin to assist with Hurricane Harvey response and recovery initiatives. This grant is conditioned upon EDOT identifying qualifying projects.

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 28, 2019, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

Episcopal Foundation of Texas
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Supplemental Statement of Financial Position by Fund as of December 31, 2018

	COFFIELD INCOME	COFFIELD PRINCIPAL	MEMORI FUND	TOTAL
ASSETS				
Cash equivalents	\$ 3,037,762			\$ 3,037,762
Investment income receivable		\$ 654,934		654,934
Investments		65,992,576	\$ 270,940	66,263,516
Property, net		664,360		664,360
Interfund receivable (payable)	<u>931,858</u>	<u>(931,858)</u>		
TOTAL ASSETS	<u>\$ 3,969,620</u>	<u>\$ 66,380,012</u>	<u>\$ 270,940</u>	<u>\$ 70,620,572</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Due to other Diocesan operating entities	\$ 44,552			\$
	44,552	Grants payable:		
Unrelated entities	85,000			85,000
Related entities, net	3,437,708			3,437,708
Diocesan operating entities	<u>143,503</u>			<u>143,503</u>
Total liabilities	<u>3,710,763</u>			<u>3,710,763</u>
Net assets without donor restrictions	<u>258,857</u>	<u>\$ 66,380,012</u>	<u>\$ 270,940</u>	<u>66,909,809</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,969,620</u>	<u>\$ 66,380,012</u>	<u>\$ 270,940</u>	<u>\$ 70,620,572</u>

Episcopal Foundation of Texas
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Supplemental Statement of Financial Position by Fund as of December 31, 2017

	COFFIELD INCOME	COFFIELD PRINCIPAL	MEMORI FUND	TOTAL
ASSETS				
Cash equivalents	\$ 2,875,831			\$ 2,875,831
Investment income receivable		\$ 246,271		246,271
Investments		68,324,669	\$ 316,844	68,641,513
Property, net		740,720		740,720
Interfund receivable (payable)	<u>922,958</u>	<u>(922,958)</u>		
TOTAL ASSETS	<u>\$ 3,798,789</u>	<u>\$ 68,388,702</u>	<u>\$ 316,844</u>	<u>\$ 72,504,335</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Due to other Diocesan operating entities	\$ 48,926			\$
	48,926	Grants payable:		
Unrelated entities, net	250,000			250,000
Related entities, net	1,798,461			1,798,461
Diocesan operating entities	<u>61,690</u>			<u>61,690</u>
Total liabilities	<u>2,159,077</u>			<u>2,159,077</u>
Net assets without donor restrictions	<u>1,639,712</u>	<u>\$ 68,388,702</u>	<u>\$ 316,844</u>	<u>70,345,258</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,798,789</u>	<u>\$ 68,388,702</u>	<u>\$ 316,844</u>	<u>\$ 72,504,335</u>

Episcopal Foundation of Texas
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Supplemental Statement of Activities by Fund for the year ended December 31, 2018

	COFFIELD INCOME FUND	COFFIELD PRINCIPAL FUND	MEMORIAL FUND	TOTAL
REVENUE:				
Net realized and unrealized loss		\$ (5,513,377)	\$ (33,280)	\$ (5,546,657)
Interest and dividends		1,882,106		1,882,106
Royalty income	\$ 2,985,105	2,985,104		5,970,209
Foreign taxes, mineral interests, and production expenses	(364,455)			(364,455)
Investment management fees	(466,851)			(466,851)
Rent income	59,616			59,616
Other income	9,669			9,669
Total revenue	<u>2,223,084</u>	<u>(646,167)</u>	<u>(33,280)</u>	<u>1,543,637</u>
EXPENSES:				
Grants to related entities	3,289,306			3,289,306
Grants to other Diocesan operating entities	874,040		12,624	886,664
Grants to unrelated entities	<u>320,000</u>			<u>320,000</u>
Total program grants	<u>4,483,346</u>		<u>12,624</u>	<u>4,495,970</u>
Supporting services:				
Diocesan operating entities				
– administrative services	369,199			369,199
Depreciation		76,360		76,360
Other administrative	<u>37,557</u>			<u>37,557</u>
Total supporting services	<u>406,756</u>	<u>76,360</u>		<u>483,116</u>
Total expenses	<u>4,890,102</u>	<u>76,360</u>	<u>12,624</u>	<u>4,979,086</u>
Interfund transfers	<u>1,286,163</u>	<u>(1,286,163)</u>		
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(1,380,855)	(2,008,690)	(45,904)	(3,435,449)
Net assets without donor restrictions, beginning of year	<u>1,639,712</u>	<u>68,388,702</u>	<u>316,844</u>	<u>70,345,258</u>
Net assets without donor restrictions, end of year	<u>\$ 258,857</u>	<u>\$ 66,380,012</u>	<u>\$ 270,940</u>	<u>\$ 66,909,809</u>

Episcopal Foundation of Texas
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Supplemental Statement of Activities by Fund for the year ended December 31, 2017

	COFFIELD	COFFIELD	MEMORI	
	<u>INCOME</u>	<u>PRINCIPAL</u>	AL	<u>TOTAL</u>
REVENUE:	<u>FUND</u>	<u>FUND</u>	<u>FUND</u>	
Net realized and unrealized gain		\$ 6,627,837	\$ 48,388	\$ 6,676,225
Interest and dividends		1,525,328		1,525,328
Royalty income	\$ 1,289,628	1,289,627		2,579,255
Foreign taxes, mineral interests, and production expenses	(174,937)			(174,937)
Investment management fees	(423,135)			(423,135)
Rent income	59,616			59,616
Other income	<u>52,637</u>			<u>52,637</u>
Total revenue	<u>803,809</u>	<u>9,442,792</u>	<u>48,388</u>	<u>10,294,989</u>
EXPENSES:				
Grants to related entities	1,750,522			1,750,522
Grants to other Diocesan operating entities	231,693		12,042	243,735
Grants to unrelated entities	<u>263,000</u>			<u>263,000</u>
Total program grants	<u>2,245,215</u>		<u>12,042</u>	<u>2,257,257</u>
Supporting services:				
Diocesan operating entities – administrative services	322,232			322,232
Depreciation		76,360		76,360
Other administrative	<u>41,245</u>			<u>41,245</u>
Total supporting services	<u>363,477</u>	<u>76,360</u>		<u>439,837</u>
Total expenses	<u>2,608,692</u>	<u>76,360</u>	<u>12,042</u>	<u>2,697,094</u>
Interfund transfers	<u>2,339,627</u>	<u>(2,339,627)</u>		
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	534,744	7,026,805	36,346	7,597,895
Net assets without donor restrictions, beginning of year	<u>1,104,968</u>	<u>61,361,897</u>	<u>280,498</u>	<u>62,747,363</u>
Net asset without donor restrictions, end of year	<u>\$ 1,639,712</u>	<u>\$ 68,388,702</u>	<u>\$ 316,844</u>	<u>\$ 70,345,258</u>

THE GREAT COMMISSION FOUNDATION

The purpose of the Great Commission Foundation (“GCF”) is set forth in Title V, Canon 15.1: “to support the missionary and church-planting strategy of the Diocese.”

The GCF Board consists of the Bishop, clergy trustees, and lay trustees. The trustees are elected to overlapping three-year terms by the Council of the Diocese of Texas. The clergy trustees are The Rev. Les Carpenter, The Rev. Aaron Zimmerman, and The Rev. Susan Kennard. The lay trustees are Marcela Donadio, Bette Lehmberg, Jane Smith, L.E. “Chap” Chapman, Tim Alexander, and Maria Boyce. Bishop Doyle is the Chair of the GCF and the Chair of the Executive Committee; Maria Boyce is the President; Bette Lehmberg is the Vice President; Linda Mitchell is the Treasurer; and David Fisher is the Secretary and Assistant Treasurer.

The GCF Investment Committee is chaired by Bette Lehmberg, and this Committee works closely with DiMeo Schneider & Associates, which is the investment advisor for the GCF portfolio. The GCF Real Estate Committee is chaired by L.E. “Chap” Chapman. The GCF Project Pipeline Committee is chaired by The Rev. Susan Kennard.

During 2019, the GCF continued to financially support the existing missions of the Episcopal Diocese of Texas as well as support the expansion of our footprint and mission within the geographic boundaries of the Diocese. This included support for new church plants. The GCF also provided support to campus missions. In 2019, the GCF continued to provide funds to our congregations that had been impacted by Hurricane Harvey.

In 2019, the GCF worked in conjunction with the Bishop Quin Foundation and the Episcopal Foundation of Texas to fund jointly the Strategic Mission Grant program. The Strategic Mission Grants Committee (SMG) has a dedicated website www.smgedot.org for processing grant applications and managing active grants. This interactive website includes videos, stories, and motion graphics that convey information about the grant program using multiple media formats. The site has a complete translation in Spanish. The grant focus includes encouraging congregations to engage with their surrounding communities, focus on invitation, and the funding of missional communities.

The GCF continues to work closely with the Protestant Episcopal Church Council of the Diocese of Texas (“Church Corp.”), the Bishop Quin Foundation, and the Episcopal Foundation of Texas. Coordination with these foundations of the Diocese will continue in 2020.

Throughout the year, the trustees have been guided by Bishop Doyle and are grateful for his vision and support. The trustees have also worked closely with and relied heavily upon the diligence and excellent work of the entire Diocesan Staff. We look forward to continuing our journey and service in 2020.

Maria Boyce, President

The Great Commission Foundation
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Financial Statements
and Independent Auditors' Report
for the years ended December 31,
2018 and 2017

The Great Commission Foundation
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

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Independent Auditors' Report

To the Board of Trustees of
The Great Commission Foundation:

We have audited the accompanying financial statements of The Great Commission Foundation (an instrumentality of the Protestant Episcopal Church in the Diocese of Texas), which comprise the statements of financial position as of December 31, 2018 and 2017 and the related statements of activities and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements – Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility – Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion – In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Great Commission Foundation as of December 31, 2018 and 2017 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standard – As discussed in Note 2 to the financial statements, The Great Commission Foundation adopted the amendments of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. These amendments have been applied on a retrospective basis to the financial statements as of and for the year ended December 31, 2017, except that certain information has been omitted as permitted by the ASU. Our opinion is not modified with respect to this matter.

Blazek & Vetterling

June 28, 2019

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The Great Commission Foundation
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Statements of Financial Position as of December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 80,044	\$ 70,405
Receivables from other Diocesan operating entities	34,088	139,950
Other assets	241,517	463,877
Receivable from Episcopal Health Foundation, net <i>(Note 5)</i>	8,820,462	12,602,744
Investments <i>(Note 4)</i>	96,231,667	107,349,336
Note receivable from Church Corporation <i>(Note 6)</i>	<u>6,293,007</u>	<u>6,293,007</u>
TOTAL ASSETS	<u>\$ 111,700,785</u>	<u>\$ 126,919,319</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable and accrued expenses	\$ 54,873	\$ 48,536
Due to other Diocesan operating entities	219,767	72,569
Grants payable to parishes, missions and schools	<u>6,872,556</u>	<u>2,204,564</u>
Total liabilities	7,147,196	2,325,669
Commitments <i>(Note 8)</i>		
Net assets without donor restrictions	<u>104,553,589</u>	<u>124,593,650</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 111,700,785</u>	<u>\$ 126,919,319</u>

See accompanying notes to financial statements.

The Great Commission Foundation
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Statements of Activities for the years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
REVENUE:		
Net investment return <i>(Note 4)</i>	\$ (9,074,182)	\$ 13,326,449
Support from Diocesan operating entities: The Episcopal Health	210,453	301,496
Imputed interest on note receivable from Church Corporation <i>(Note 6)</i>	260,808	226,462
Other income	<u>23,769</u>	<u>45,391</u>
Total revenue	<u>(8,579,152)</u>	<u>13,899,798</u>
EXPENSES:		
Program services:		
Missional grants	1,992,471	519,207
Grants to parishes	7,414,691	
Salaries and benefits	1,492,624	924,437
Other program expenditures	<u>85,263</u>	<u>169,467</u>
Total program services	10,985,049	1,613,111
Management and general:		
Diocesan operating entities – administrative services	439,577	350,162
Other management and general	<u>36,283</u>	<u>17,419</u>
Total expenses	<u>11,460,909</u>	<u>1,980,692</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(20,040,061)	11,919,106
Net assets without donor restrictions, beginning of year	<u>124,593,650</u>	<u>112,674,544</u>
Net assets without donor restrictions, end of year	<u>\$ 104,553,589</u>	<u>\$ 124,593,650</u>

See accompanying notes to financial statements.

The Great Commission Foundation
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Statements of Cash Flows for the years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets without donor restrictions	\$ (20,040,061)	\$ 11,919,106
Adjustments to reconcile changes in net assets without donor restrictions to net cash provided by operating activities: Amortization of discount on receivable from Episcopal Health Foundation	(210,453)	(301,496)
Net realized and unrealized (gain) loss on investments	11,767,300	(12,351,201)
Net unrealized loss on investment in land		1,470,218
Changes in operating assets and liabilities:	105,862	(93,612)
Other assets	222,360	(279,090)
Receivable from Episcopal Health Foundation	3,992,735	4,010,574
Accounts payable and accrued expenses	6,337	9,452
Due to other Diocesan operating entities	147,198	22,142
Grants payable	<u>4,667,992</u>	<u>(773,182)</u>
Net cash provided by operating activities	<u>659,270</u>	<u>3,632,911</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(4,370,432)	(12,739,973)
Proceeds from sales of investments	1,545,024	10,460,148
Net change in money market mutual funds held as investments	6,147,537	(1,305,491)
Purchase of land	<u>(3,971,760)</u>	<u></u>
Net cash used by investing activities	<u>(649,631)</u>	<u>(3,585,316)</u>
NET CHANGE IN CASH	9,639	47,595
Cash, beginning of year	<u>70,405</u>	<u>22,810</u>
Cash, end of year	<u>\$ 80,044</u>	<u>\$ 70,405</u>

See accompanying notes to financial statements.

The Great Commission Foundation
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Notes to Financial Statements for the years ended December 31, 2018 and 2017

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – The Great Commission Foundation (the Foundation) is a Texas nonprofit corporation created in 2013 to support the missionary and church planting strategies of the Protestant Episcopal Church in the Diocese of Texas (the Diocese). The organization of the Foundation is set forth in Canon 15 of the Constitution and Canons of the Diocese. The Diocese is an ecclesiastical territory that extends from the Louisiana border to portions of central, eastern, and southeastern Texas. The authority of the Diocese is vested in the Bishop, the Council of the Diocese, and a standing committee. Members of the Board of Trustees of the Foundation are elected by the Council of the Diocese upon nomination by the Bishop and include the Bishop as an ex-officio member and Chair of the Board of Trustees.

Related entities – The Executive Board of the Diocese is composed of the Bishop and fifteen members elected by the Council of the Diocese. Pursuant to various Canons, the Executive Board has certain oversight responsibilities relating to the affairs of the Foundation and the following related Diocesan operating entities:

- *Episcopal Diocese of Texas (EDOT)* is an operating unit of special accounts used to carry out the ministry of the Diocese and is supported primarily by parish assessments.
- *EDOT Financial Services Corporation* was created to provide human resource, accounting, financial, and investment management services support to the related Diocesan operating entities, as well as administering health benefits for clergy and certain lay employees throughout the Diocese.
- *Protestant Episcopal Church Council of the Diocese of Texas (Church Corporation)* receives, holds, manages, and administers funds and properties acquired by gift or purchase for the use and benefit of the Diocese and any Diocesan institution. Additionally, it may also receive, hold, and manage funds held for the use and benefit of any parish or mission in the Diocese.
- *Episcopal Foundation of Texas (EFT)* was created to hold and administer certain assets for the purpose of providing grants and loans for religious, educational, and charitable purposes to designated Diocesan entities.
- *The Bishop Quin Foundation (Bishop Quin)* was created in 1943 to commemorate the 25th anniversary of the consecration of the Right Reverend Clinton S. Quin, as Bishop. The broad objectives of Bishop Quin include such religious, charitable, and educational activities as determined by the Bishop and the Board of Trustees to be in furtherance of the spiritual and physical welfare of the Diocese.
- *The Episcopal Health Foundation (EHF)* was created in 2013 with proceeds from the transfer of the membership of the St. Luke's Episcopal Health System to an unrelated not-for-profit entity. The focus of EHF is to promote the health and well-being of the 10 million people in the 57 counties of the Episcopal Diocese of Texas.

The Foundation routinely engages in transactions with related entities that are directly or indirectly governed by the Council of the Diocese. These entities include parishes, schools, missions, and other Diocesan entities.

Basis of presentation – These financial statements include only the assets, liabilities, net assets, and activities of the Foundation. The accompanying financial statements do not include the assets, liabilities, net assets, and activities of the related Diocesan operating entities, parishes, missions, or other Diocesan entities. Each of these related entities is

an operating entity distinct from the Foundation, maintains separate financial records, and administers its own services and programs.

Federal income tax status – The Foundation is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code as a religious organization and is classified as a public charity under §170(b)(1)(A)(i) under the group exemption of the Protestant Episcopal Church in the United States of America.

Investments are reported at fair value. Net investment return consists of interest and dividends, realized and unrealized gains and losses, net of external and direct internal investment expenses.

Receivable from Episcopal Health Foundation is reported at net realizable value that is discounted to estimate the present value of future cash flows based upon payment over 7 years.

Note receivable from Church Corporation is reported at face value because the repayment terms on this note are not fixed and the discount rate is not determinable based upon the nature of the agreement.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.

Grants made are recognized as expense at fair value when the Foundation approves an unconditional commitment to a grant recipient. Conditional grants are recognized in the same manner when the conditions are substantially met by the recipient or when the possibility that the conditions will not be met is deemed remote. Grants payable in more than one year are reported at the present value of their future cash outflows using a risk-free rate-of-return, if material. Commitments made but not yet funded are reported as grants payable. Grants payable at December 31, 2018 are expected to be paid in the next year.

Functional allocation of expenses – Expenses are reported by their functional classification as program services or supporting activities. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Management and general activities are not directly identifiable with a specific program. All of the Foundation's expenses are directly attributable to either program or management and general activities.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Recent financial accounting pronouncement – In June 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions*

Received and Contributions Made. The amendments in this ASU clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction and provide additional guidance on determining whether a contribution is conditional or unconditional. This ASU could impact the timing of revenue recognition and the financial statement disclosures related to such transactions. The Foundation is required to apply the amendments in its December 31, 2020 financial statements. The amendments should be applied on a modified prospective basis, but retrospective application also is permitted. Management has not determined the eventual method of adoption of the ASU or the impact on the financial statements.

NOTE 2 – ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14

The Foundation adopted the amendments of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. These amendments have been applied on a retrospective basis to the financial statements for the year ended December 31, 2017, except that information regarding liquidity and availability of resources has been omitted as permitted by the ASU. Adoption of this ASU resulted in reclassification of previously reported activities and net assets to conform to the 2018 presentation but had no impact on total net assets or total changes in net assets for 2017.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of December 31, 2018 comprise of the following:

Financial assets at December 31, 2018:

Cash	\$ 80,044
Receivables from other Diocesan operating entities	34,088
Investments	96,231,667
Receivable from Episcopal Health Foundation, net	8,820,462
Note receivable from Church Corporation	<u>6,293,007</u>
Total financial assets	111,459,268

Less financial assets not available for general expenditures in the coming year:

Notes receivable due in more than one year	(11,095,921)
Investments less amount available to be spent under spending policy	<u>(90,242,667)</u>

Total financial assets available for general expenditure \$10,120,680

The Foundation is supported by investment income and payments received on the note receivable from EHF (see Note 4). For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing outreach program and grantmaking activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

As part of the Foundation's liquidity management, it structures its financial assets to be available as general expenditures and liabilities become due or as additional funding opportunities are presented by maintaining a significant portion of its assets in mutual funds.

The Foundation's assets are invested for long-term appreciation but remain available to be spent at the Board of Trustees's discretion. The Foundation operates with a balanced budget and determines the spending level for each year as part of the annual budget process. The Foundation's spending policy provides for an annual spending rate not to exceed 5% of the five-year average asset balance. This policy acknowledges the potential for one-time withdrawals from the investment portfolio to fund non-recurring gifts or capital investments in accordance with the long-term plan for new church starts with approval of the Board of Trustees.

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date. The types of investments included in Level 1 are securities traded and valued based upon a public exchange.
- *Level 2* – Inputs are quoted prices in nonactive markets or in active markets for similar assets or liabilities, or inputs which are either directly or indirectly observable with observable market data at the reporting date. Level 2 investments are priced by independent appraisals or corroborating factual comparative inputs as accumulated by management to support estimated fair value.
- *Level 3* – Inputs are not observable and are based on the reporting entity's assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at December 31, 2018 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Domestic multi-cap core index mutual fund	\$ 31,654,554			\$ 31,654,554
International equity mutual funds:				
Emerging markets	10,065,782			10,065,782
Large core	6,814,050			6,814,050
Large value	6,161,187			6,161,187
Small core	2,837,263			2,837,263
Domestic bond mutual funds:				
Core bond	10,021,109			10,021,109
High yield	2,719,322			2,719,322
Inflation-protected	1,805,501			1,805,501
Land		\$ 7,331,760		7,331,760
Domestic equity securities:				
Master limited partnership closed-				
Large-cap	5,097,244			5,097,244
Mid-cap	975,626			975,626
Global real estate mutual funds	411,482			411,482
International bond mutual funds	3,508,822			3,508,822
Commodity mutual funds	2,588,102			2,588,102
Money market mutual fund	2,411,620			2,411,620
	<u>1,828,243</u>			<u>1,828,243</u>
Total assets measured at fair value	<u>\$ 88,899,907</u>	<u>\$ 7,331,760</u>	<u>\$ 0</u>	<u>\$ 96,231,667</u>

Assets measured at fair value at December 31, 2017 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>
		<u>TOTAL</u>	
Investments:			
Domestic multi-cap core index mutual fund	\$ 33,392,098		\$ 3
Emerging markets international equity mutual funds	11,596,620		11,596,620
Large core	8,015,247		8,015,247
Large value	8,045,987		8,045,987
Small core	3,520,946		3,520,946
Domestic bond mutual funds:			
High yield	10,051,659		10,051,659
Inflation-protected	2,815,432		2,815,432
Land	1,830,972		1,830,972
	\$ 3,360,000		3,360,000
Domestic equity securities:			
Master limited partnership closed-			
Large-cap	6,611,434		6,611,434
Mid-cap	614,424		614,424
Global real estate mutual funds	289,623		289,623
International bond mutual funds	3,766,007		3,766,007
Commodity mutual funds	2,666,284		2,666,284
Money market mutual fund	2,796,823		2,796,823
	<u>7,975,780</u>		<u>7,975,780</u>
Total assets measured at fair value	<u>\$ 103,989,336</u>	<u>\$ 3,360,000</u>	<u>\$ 0</u> <u>\$ 107,349,336</u>

Valuation methods used for assets measured at fair value are as follows:

- *Mutual funds* are valued at the reported net asset value of shares held at year end.
- *Equity securities* are valued at the closing price reported on the active market on which the individual securities are traded.
- *Land* is valued based on appraised fair value.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuations methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Investments are exposed to various risks such as interest rate, market and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

Net investment return includes earnings on bank deposits and consists of the following:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 2,930,423	\$ 2,658,342
Net realized and unrealized gain (loss) on investments	(11,767,300)	12,351,201
Unrealized loss on land		(1,470,218)
Investment management fees	<u>(237,305)</u>	<u>(212,876)</u>
Net investment return	<u>\$ (9,074,182)</u>	<u>\$ 13,326,449</u>

NOTE 5 – RECEIVABLE FROM EPISCOPAL HEALTH

EHF has committed to contribute to the Foundation as follows:

	<u>2018</u>	<u>2017</u>
Receivable from EHF	\$ 8,937,641	\$ 12,930,376
Discount to net present value at 2.45%	<u>(117,179)</u>	<u>(327,632)</u>
Receivable from Episcopal Health Foundation, net	<u>\$ 8,820,462</u>	<u>\$ 12,602,744</u>

Amounts at December 31, 2018 are due to be received as follows:

2019	\$ 4,017,548
2020	<u>4,920,093</u>
Total receivable	<u>\$ 8,937,641</u>

NOTE 6 – NOTE RECEIVABLE FROM CHURCH

The Foundation has entered into a note agreement with Church Corporation totaling \$6,500,000 to pay debt incurred in connection with the acquisition of real property to support the missionary and church planting strategies of the Diocese. The note is non-interest bearing and will be repaid with the proceeds from sales of land and buildings that are no longer being used as church sites and for which the Foundation did not provide the funding for the purchase of the property. After the note is repaid, Church Corporation is further obligated to pay 50% of the proceeds of sales of churches not funded by the Foundation to the Foundation. All proceeds from sales of property paid for by the Foundation will be paid to the Foundation.

During 2018, the Foundation's Board of Trustees passed a resolution allowing Church Corporation to use the proceeds from the sale of land and buildings in 2018 to reduce Church Corporation's external debt. Imputed interest income and program expense of approximately \$226,000 in 2018 and \$226,000 in 2017 has been recognized based on an implied interest rate of 4.1%.

NOTE 7 – RETIREMENT PLANS

The Foundation is a participating employer in pension plans sponsored and administered by The Church Pension Fund (the Fund). The Fund, a corporation

chartered in 1914 by the Legislature of the State of New York, was established by the General Convention of the Episcopal Church. The Fund and its affiliates are official agencies of the Episcopal Church and operate under the Canons of the Episcopal Church.

The Clergy Pension Plan (the Clergy Plan) is a defined benefit plan providing retirement, death and disability benefits to eligible clergy of the Episcopal Church. The Clergy Plan (the Plan) is exempt from federal income taxes and, as church plans are exempt from the Employee Retirement Income Security Act of 1974, the Plan is not subject to Pension Benefit Guaranty Corporation requirements.

The assets of the Plan are pooled along with other assets of the Fund solely for investment purposes for the benefit of all participants. The Fund may amend, terminate or modify the terms of the Plan, including the employer assessment rate, at any time, without notice and for any reason. Should the Plan terminate, the Fund has the authority to distribute assets in accordance with the terms of the respective Plan's documents.

All bishops, priests and deacons who are canonically resident in a domestic diocese of the Episcopal Church and who are not participating in the International Clergy Pension Plan must participate in the Clergy Plan if the cleric receives \$200 or more per month in compensation for three or more consecutive months from the same employer.

Participating employers pay assessments to the Plan on behalf of the eligible participants. Assessments for the Clergy Plan are equal to 18% of the applicable participants' compensation, which includes salaries, other cash compensation and the value of housing. Assessments fund benefits are provided by the Plan. Assessments are not held in individual accounts but are invested in a general fund of pooled contributions for all employees participating in the Plan.

The Foundation recognizes its assessments in the period that the related services are provided by the clergy. During 2018 and 2017, the Foundation recognized assessments to the Plan totaling approximately \$212,000 and \$145,000, respectively.

The funding positions of the Plan as of March 31, 2018 and 2017 as reported in the Fund's latest audited financial statements are summarized below:

	<u>2018</u>	<u>2017</u>
Net assets available for pension benefits – after amount designated for assessment deficiencies	\$ 9,918,224,000	\$ 9,287,173,000
Less: Actuarial present value of accumulated plan benefit obligations	<u>(6,517,324,000)</u>	<u>(6,502,134,000)</u>
Surplus	<u>\$ 3,400,900,000</u>	<u>\$ 2,785,039,000</u>
Funding percentage	152%	143%

During December 2017, the Foundation approved a conditional grant of up to \$1.5 million in support to EDOT to assist with Hurricane Harvey response and recovery initiatives. This grant is conditioned upon EDOT identifying qualifying projects. The total amount approved and funded through December 31, 2018 was approximately \$928,000. The remaining conditional grant of approximately \$572,000 has not been recognized as grants payable at December 31, 2018.

Additionally, during 2018 the Foundation approved a \$350,000 conditional grant to a parish. The grant has not been recognized in the financial statements as the conditions have not been substantially met.

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 28, 2019, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

EPISCOPAL HEALTH FOUNDATION

Episcopal Health Foundation (EHF) is in its sixth year of operations, and its second year operating under a five-year strategic plan, with a strong, committed staff aimed at transforming health in the 57 counties of the diocese. Our plan is built upon three pillars—strengthening the health system so that it delivers health, not just healthcare; activating communities and congregations to improve health; and supporting early childhood brain development. Within each of these pillars, we have identified specific outcomes that we aim to achieve, and within the outcomes we have laid out specific strategies or pathways through which we will work to achieve those outcomes.

New in 2019: In late 2018, our board approved the creation of a \$20 million impact investment fund. Impact investments are investments made with the intention of generating positive, measurable social impact alongside a financial return. This fund will allow EHF to use additional financial tools in the form of debt and equity investments, to achieve the same outcomes we seek through our grantmaking. We are working with Avivar Capital to identify and perform due diligence on impact investment opportunities. This is a relatively new approach among foundations, especially in Texas, and we are gratified to the positive response we've received in the health sector as we've begun the work.

Grantmaking: Between January and November of 2019, EHF awarded grants to 71 organizations for a total of \$24.8 million, including \$165,803 in support of Hurricane Harvey recovery by diocesan institutions. We expect to award approximately \$10.9 million in additional grants during the remainder of 2019. As in previous years, most of our grants are awarded to community-based nonprofit organizations providing services to low income, uninsured and vulnerable populations, including preventive, primary, behavioral health, and dental care. By the end of 2019, we expect to have awarded several grants to diocesan-related organizations including \$5 million to the diocese to offset the parishes' clergy health insurance costs; \$311,503 to support diocesan operating expenses; \$1.1 million to support El Buen Samaritano; \$425,752 for mental health services offered by St. Vincent's House; \$325,000 to support health benefits enrollment services to special populations by North Pasadena Community Outreach. We made a \$8.7 million payment to the Great Commission Foundation in fulfillment of our tithe commitment from the proceeds of the transfer of the hospital system. We continue to provide payments to the Seminary of the Southwest (\$628,376 in 2019) under our previous commitment of \$3.67 million to support placement of their counseling graduates in East Texas internships.

Community engagement: The community engagement aspect of our work is incorporating new approaches to building community activation. Our work in this area is focused on improving health by strengthening the community engagement efforts of many of our grant partners, by supporting coalitions to address community health needs, and by developing health leaders across the region. In 2019, six new organizations have either developed or implemented new community engagement plans as a result of training and coaching through EHF.

Congregational engagement: Our congregational engagement team is supporting

74 churches to launch or deepen work in support of community health through programmatic support in the areas of mental health, poverty, racial reconciliation, and community organizing. EHF also supported congregational and community engagement efforts by providing consultation and training by EHF staff, retaining external partner organizations to work with congregations, and underwriting the costs of trainings and conferences attended by congregational teams. We continue to benefit from the wisdom of our “kitchen cabinet,” an advisory group of clergy, staff, and lay leaders representing diverse regions and perspectives across the diocese. We enrolled our fourth cohort of four congregations in the Holy Currencies program, developed by Rev. Dr. Eric Law, which enables congregations to undertake a faith-based approach to planning meaningful, sustainable outreach ministries. Further, we continue to sponsor Mental Health First Aid training (11 trainings certifying 168 people), offer community engagement trainings (2 churches, 35 people), and Bridges Out of Poverty (2 trainings, 48 attendees). Our racial reconciliation work continues to grow and deepen. This year, 130 people attended four screenings of the documentary *Traces of the Trade*. We continued our partnership with Project Curate which offers congregations the support to address complex issues like equity and justice. Also, in 2019, In Common convenings were offered across the region with more than 180 people attending to learn more about the work congregations can engage in through EHF and connect with one another for peer learning. As with our grantmaking work, we continue to learn how we can be most effective as partners to the congregations, and we adjust accordingly.

Research: Our research team continues to provide issue briefs, analyses, and mapping resources to congregations and community organizations to help them navigate and use complex health-related data. For example, the report entitled *Community Resource Referral Platforms: A Guide for Health Care Organizations* is viewed as a landmark report on health and social service referrals systems within Texas and nationally as many funders, healthcare institutions, and community coalitions have used the report as a guide to shape discussions and decisions on the use of referral platforms. Second, EHF has partnered with two Texas health plan associations to better understand their investment strategies for social determinants of health (SDOH) and has shared the findings with the Texas Medicaid agency and other health plan stakeholders. As a result, EHF is now partnering with a prominent national health foundation to support a year-long learning collaborative of Texas health plans to develop SDOH strategies. Third, the development of an interactive neighborhood life expectancy map (available on our website) for Texas has been impactful in showing the significant disparities in life expectancy across neighborhoods and draws attention to conditions that affect health outcomes within these neighborhoods. The map has so far gotten more than 50,000 views and has been featured extensively on many print, television, and internet media platforms across the state.

Leveraging our Work in Rural Health: In rural communities, we’ve begun to see the benefits of leveraging and building on the work of EHF’s three divisions over time. As an example, in Robertson County, EHF’s Congregational Engagement program supported St. Philip’s Episcopal Church in Hearne to engage in community-wide training through the Texas Rural Leadership Program (TRLP). St. Philips received support from EHF’s Congregational Engagement division for church and community

members to participate in TRLP to train members in grass-roots leadership and community-based asset mapping. Concurrent with that work, EHF's Research and Community Engagement divisions invested in projects aimed at community planning and capacity building in Robertson and other counties in the Brazos Valley. As relationships within Robertson County matured and needs were understood, community members began collaborating with local agencies, including various departments within Texas A&M University (TAMU), to address the health of the residents in the county. Arising from these efforts, a committee was formed. Guided by an EHF sponsored study by TAMU on Community Health Resource Centers, the decision was made to create such a Center for Robertson County residents. In support of this effort, EHF provided a grant to pilot the Center which is now in project design. By leveraging the relationships of our church members and through the coalescing of EHF grants, research, and engagement efforts, the county is now poised to begin addressing long term health challenges.

As we near the halfway point of our current strategic plan, we are encouraged by the positive response to the message of "health, not just healthcare." EHF helps health organizations focus more intentionally on addressing the health needs of community members outside the examination room, to empower communities--being accomplished in no small part in partnership with Episcopal clergy and lay leaders--to address local health needs, and to make the case and reframe the narrative towards a systems-wide focus on building healthier communities. We are bolstered by the support of the Diocese as we continue the work of transforming health systems and build healthier communities. We know we cannot do this work alone which is why we appreciate how critical it is to strengthen existing and build new partnerships with congregations and community-based organizations. This work becomes less daunting knowing we have great partners across the Diocese.

Elena M. Marks, President

The Episcopal Health Foundation
(An Instrumentality of the Protestant
Episcopal Church in the Diocese of Texas)

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2018 and 2017

The Episcopal Health Foundation
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

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Independent Auditors' Report

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Independent Auditors' Report

To the Board of Trustees of
The Episcopal Health Foundation:

We have audited the accompanying financial statements of The Episcopal Health Foundation (an instrumentality of the Protestant Episcopal Church in the Diocese of Texas), which comprise the statements of financial position as of December 31, 2018 and 2017 and the related statements of activities and of cash flows for the years then ended, the related statement of functional expenses for the year ended December 31, 2018, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Episcopal Health Foundation as of December 31, 2018 and 2017 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standard

As discussed in Note 2 to the financial statements, The Episcopal Health Foundation adopted the amendments of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. These amendments have been applied on a retrospective basis to the financial statements as of and for the year ended December 31, 2017, except that certain information has been omitted as permitted by the ASU. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Blazek & Vetterling". The script is cursive and fluid, with the ampersand clearly visible.

September 4, 2019

The Episcopal Health Foundation
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Statements of Financial Position as of December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents <i>(Note 4)</i>	\$ 31,470,056	\$ 31,924,717
Accounts receivable and other assets	231,093	182,249
Interest accrued on note receivable	2,315,337	3,132,245
Note receivable, net <i>(Note 5)</i>	82,726,418	117,559,513
Investments <i>(Notes 6 and 7)</i>	1,059,793,295	1,106,302,085
Property, net <i>(Note 8)</i>	<u>9,423,136</u>	<u>10,034,880</u>
TOTAL ASSETS	<u>\$1,185,959,335</u>	<u>\$1,269,135,689</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 407,994	\$ 498,619
Grants payable <i>(Note 9)</i>	<u>32,296,499</u>	<u>32,465,623</u>
Total liabilities	<u>32,704,493</u>	<u>32,964,242</u>
Net assets without donor restrictions:		
Undesignated	299,029,502	342,685,876
Contractually-restricted <i>(Note 10)</i>	<u>854,225,340</u>	<u>893,485,571</u>
Total net assets without donor restrictions	<u>1,153,254,842</u>	<u>1,236,171,447</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$1,185,959,335</u>	<u>\$1,269,135,689</u>

See accompanying notes to financial statements.

The Episcopal Health Foundation
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Statements of Activities for the years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
REVENUE:		
Partnership income <i>(Note 6)</i>	\$ (46,508,790)	\$ 142,316,946
Interest on note receivable <i>(Note 5)</i>	4,277,347	5,826,887
Interest income	569,773	141,843
Other revenue	<u>338,789</u>	<u>133,515</u>
Total revenue	<u>(41,322,881)</u>	<u>148,419,191</u>
EXPENSES:		
Program services:		
Grants made	31,889,742	33,344,376
Research	2,987,437	2,179,770
Community engagement	2,479,222	2,847,497
Program management	<u>2,087,631</u>	<u>1,779,522</u>
Total program services	<u>39,444,032</u>	<u>40,151,165</u>
Management and general:		
Diocesan operating entities – administrative services	695,250	675,485
Other management and general	<u>1,454,442</u>	<u>2,007,053</u>
Total supporting services	<u>2,149,692</u>	<u>2,682,538</u>
Total expenses	<u>41,593,724</u>	<u>42,833,703</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(82,916,605)	105,585,488
Net assets without donor restrictions, beginning of year <i>(Note 2)</i>	<u>1,236,171,447</u>	<u>1,130,585,959</u>
Net assets without donor restrictions, end of year	<u><u>\$1,153,254,842</u></u>	<u><u>\$1,236,171,447</u></u>

See accompanying notes to financial statements.

The Episcopal Health Foundation
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Statement of Functional Expenses for the year ended December 31, 2018

	GRANTS MADE	RESEARCH	COMMUNITY ENGAGEMENT	PROGRAM MANAGEMENT	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	TOTAL
Grants	\$ 25,187,595				\$ 25,187,595		\$ 25,187,595
Grants to related entities	6,702,147				6,702,147		6,702,147
Payroll and related benefits		\$ 1,136,344	\$ 1,174,842	\$ 1,484,148	3,795,334	\$ 572,157	4,367,491
Professional fees		1,572,777	898,336	228,307	2,699,420	263,935	2,963,355
Diocesan operating entities – administrative services						695,250	695,250
Depreciation		143,778	163,824	160,004	467,606	212,601	680,207
Occupancy		46,053	42,976	53,537	142,566	101,372	243,938
Information technology contract services and licensing fees		31,825	36,263	55,934	124,022	12,350	136,372
Other		56,660	162,981	105,701	325,342	292,027	617,369
Total expenses	<u>\$ 31,889,742</u>	<u>\$ 2,987,437</u>	<u>\$ 2,479,222</u>	<u>\$ 2,087,631</u>	<u>\$ 39,444,032</u>	<u>\$ 2,149,692</u>	<u>\$ 41,593,724</u>

See accompanying notes to financial statements.

The Episcopal Health Foundation
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Statements of Cash Flows for the years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets without donor restrictions	\$ (82,916,605)	\$ 105,585,488
Adjustments to reconcile changes in net assets without donor restrictions to net cash used by operating activities:		
Depreciation	680,207	695,901
Partnership (income) loss	46,508,790	(142,316,946)
Changes in operating assets and liabilities:		
Accounts receivable, other assets and interest accrued on note receivable	768,064	857,919
Accounts payable and accrued expenses	(90,625)	101
Grants payable	3,667,340	5,218,797
Grants payable to related Diocesan operating entities	(54,182)	5,074,182
Grants payable to The Great Commission Foundation	<u>(3,782,282)</u>	<u>(3,709,078)</u>
Net cash used by operating activities	<u>(35,219,293)</u>	<u>(28,593,636)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments received on note receivable	34,833,095	33,493,361
Change in money market mutual funds held as investments		1,402,603
Purchases of property	<u>(68,463)</u>	<u>(470,623)</u>
Net cash provided by investing activities	<u>34,764,632</u>	<u>34,425,341</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(454,661)	5,831,705
Cash and cash equivalents, beginning of year	<u>31,924,717</u>	<u>26,093,012</u>
Cash and cash equivalents, end of year	<u>\$ 31,470,056</u>	<u>\$ 31,924,717</u>

See accompanying notes to financial statements.

The Episcopal Health Foundation
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)

Notes to Financial Statements for the years ended December 31, 2018 and 2017

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – The Episcopal Health Foundation (EHF), a Texas nonprofit corporation, was created on March 27, 2013, to promote human health (including, without limitation, complete physical, mental and social well-being and not just merely the absence of disease or infirmity), healthcare excellence, advances in medical science, and improvements in community health services to benefit the 57 counties that comprise the ecclesiastical territory that extends from the Louisiana border to portions of central, eastern, and southeastern Texas. EHF is organized under Canon 5 of the Constitution and Canons of the Protestant Episcopal Church in the Diocese of Texas (the Diocese). The Diocese is the sole member of EHF. The authority of the Diocese is vested in the Bishop, the Council of the Diocese, and a standing committee.

Related entities – The Executive Board of the Diocese is composed of the Bishop and fifteen members elected by the Council of the Diocese. Pursuant to various Canons, the Executive Board has certain oversight responsibilities relating to the affairs of EHF and the following related Diocesan operating entities:

- *Episcopal Diocese of Texas (EDOT)* is an operating unit of special accounts used to carry out the ministry of the Diocese and is supported primarily by parish assessments.
- *EDOT Financial Services Corporation* was created to provide human resource, accounting, financial, and investment management services support to the related Diocesan operating entities, as well as administering health benefits for clergy and certain lay employees throughout the Diocese.
- *Protestant Episcopal Church Council of the Diocese of Texas (Church Corporation)* receives, holds, manages, and administers funds and properties acquired by gift or purchase for the use and benefit of the Diocese and any Diocesan institution. Additionally, it may also receive, hold, and manage funds held for the use and benefit of any parish or mission in the Diocese.
- *The Great Commission Foundation (GCF)* was created in 2013 to support missionary and church planting strategies of the Diocese.
- *Episcopal Foundation of Texas (EFT)* was created to hold and administer certain assets for the purpose of providing grants and loans for religious, educational, and charitable purposes to designated Diocesan entities.
- *The Bishop Quin Foundation (Bishop Quin)* was created in 1943 to commemorate the 25th anniversary of the consecration of the Right Reverend Clinton S. Quin as Bishop. The broad objectives of Bishop Quin include such religious, charitable, and educational activities as determined by the Bishop and the Board of Trustees to be in furtherance of the spiritual and physical welfare of the Diocese.

EHF routinely engages in activities with and provides grants to related entities that are directly or indirectly governed by the Council of the Diocese. These entities include parishes, schools, missions, and other Diocesan entities.

Basis of presentation – These financial statements include only the assets, liabilities, net assets, and activities of EHF. The accompanying financial statements do not include the assets, liabilities, net assets, and activities of the related Diocesan operating entities, parishes, missions, or other Diocesan entities. Each of these related entities is an operating entity distinct from EHF, maintains separate financial records, and administers its own services and programs.

Federal income tax status – EHF is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a Type I supporting organization under §509(a)(3).

Cash equivalents are highly liquid financial instruments with original maturities of three months or less which are available for grant and operating expenditures.

Note receivable is reported at estimated net realizable value. An allowance for the note receivable is provided when it is believed the note may not be collected in full and is adjusted annually to reflect changes in the expected future cash flows. The amount of bad debt expense recognized each period and the resulting adequacy of the allowance at the end of each period are determined using a specific analysis of the receivable balance. A note receivable is considered impaired when it is considered probable that EHF will not collect all principal and interest amounts due under the terms of the agreement. It is possible that management's estimate regarding the collectability of this balance will change in the near term resulting in a change in the carrying value of the receivable. At December 31, 2018, all known impairments of the note receivable have been reserved.

Investments are reported at fair value. Investment return is reported in the statement of activities as an increase in net assets without donor restrictions unless the use of income is limited by donor-imposed restrictions.

Property with a cost of \$500 or more and an estimated useful life of more than one year is capitalized and reported at cost, if purchased, or at estimated fair value at the date of gift, if donated. EHF provides for depreciation using the straight-line method based upon estimated useful lives of 3 to 40 years.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.

Grants made are recognized as expense at fair value when EHF approves an unconditional commitment to a grant recipient. Conditional grants are recognized in the same manner when the conditions are substantially met by the recipient or when the possibility that the conditions will not be met is deemed remote. Grants payable in more than one year are reported at the present value of their future cash outflows using a risk-free rate-of-return, if material. Commitments made but not yet funded are reported as grants payable.

Functional allocation of expenses – Expenses are reported by their functional classification as program services or supporting activities. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Management and general activities are not directly identifiable with specific program activities. Expenses that are attributable to one or more program or supporting activities are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Depreciation and occupancy costs are allocated based on square footage. Information technology costs are allocated based on estimates of time and costs of specific technology utilized.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Recent financial accounting pronouncement – In June 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction and provide additional guidance on determining whether a contribution is conditional or unconditional. This ASU could impact the timing of revenue recognition and the financial statement disclosures related to such transactions. The amendments should be applied on a modified prospective basis but retrospective application also is permitted. The ASU is effective for fiscal periods beginning after December 15, 2019. EHF is required to adopt this ASU for its fiscal year ending 2020. Management has not yet determined the impact adoption of this ASU will have on the financial statements.

NOTE 2 – ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14

EHF adopted the amendments of ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. These amendments have been applied on a retrospective basis to the financial statements for the year ended December 31, 2017, except that information regarding liquidity and availability of resources and presentation of expenses by both nature and function has been omitted as permitted by the ASU. Adoption of this ASU resulted in reclassification of previously reported activities and net assets to conform to the 2018 presentation but had no impact on total net assets or total changes in net assets for 2017.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2018 comprise the following:

Financial assets at December 31, 2018:

Cash and cash equivalents	\$ 31,470,056
Interest accrued on note receivable	2,315,337
Note receivable, net	82,726,418
Investments	<u>1,059,793,295</u>

Total financial assets	1,176,305,106
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Less financial assets not available for general expenditures in the coming year:

Notes receivable due in more than one year	(46,499,999)
Investments	<u>(1,059,793,295)</u>

Total financial assets available for general expenditure	<u>\$ 70,011,812</u>
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For purposes of analyzing resources available to meet expenditures over a 12-month period, EHF considers all expenditures related to its ongoing charitable activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

As part of EHF's liquidity management, it structures its financial assets to be available as general expenditures and liabilities become due. EHF's assets are invested for long-term appreciation, but remain available to be spent at the Board of Director's discretion. EHF operates with a balanced budget and determines the spending level for each year as part of the annual budget process.

NOTE 4 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

	<u>2018</u>	<u>2017</u>
Money market mutual funds	\$ 1,772,093	\$ 15,611,349
U. S. Treasury securities	29,693,420	16,297,915
Demand deposits	<u>4,543</u>	<u>15,453</u>
Total cash and cash equivalents	<u>\$ 31,470,056</u>	<u>\$ 31,924,717</u>

NOTE 5 – DEFINITIVE AGREEMENT TRANSACTIONS

Under the Definitive Agreement (the Agreement), EHF received cash and a note receivable for consideration of transfer of a membership in St. Luke's Episcopal Health System (SLEH) from the Diocese to a national nonprofit hospital system totaling approximately \$1.26 billion. In the Agreement, EHF agreed that a minimum of 85% of the proceeds would be used for health initiatives and that a minimum of 85% of the proceeds would be used in the 57 Texas counties that comprise the Diocese.

The note receivable agreement with CHI totaled \$260,000,000 and requires payment of principal and interest in annual installments of \$40,175,000 on the anniversary of the note each year with a final payment due on May 31, 2020. The note provides for optional prepayment without penalty. The note bears interest at 4%. Under the Agreement, EHF is liable for losses and expenses in connection with certain significant known and unknown potential liabilities and has recorded an allowance for potential loss of approximately \$16,000,000.

NOTE 6 – INVESTMENTS AND INVESTMENT RETURN

Investments consist of the following:

	<u>2018</u>	<u>2017</u>
Investment in EH Investment Fund, L.P.	<u>\$1,059,793,295</u>	<u>\$1,106,302,085</u>
Total investments	<u>\$1,059,793,295</u>	<u>\$1,106,302,085</u>

EH Investment Fund, L.P. (the Fund) is a Delaware limited partnership that was created on June 1, 2014. HCP EHF Management LLC (General Partner), a U. S. Securities and Exchange Commissions registered advisor and wholly owned subsidiary of Hall Capital Partners LLC, is the General Partner to the Fund. There are two limited partners: EHF and Bishop Quin. As of December 31, 2018, EHF had a 99.89% interest in the Fund and Bishop Quin had a .11% interest. The Fund is a global multi-asset class fund that primarily seeks to increase its net asset value by an amount in excess of inflation (as defined by the Consumer Price Index) and the actual spending rate of EHF over full market cycles of seven to ten years. The Fund also seeks to maximize investment returns and to reduce portfolio volatility by investing in diversified asset classes and capital markets. The asset classes that the Fund will invest in include global equities (developed and emerging), hedge funds, hybrids, private equity, real assets, fixed-income, and cash and cash equivalents. At any given time, one third of the Fund's portfolio assets can be liquidated within a 30-day time window. Redemptions are allowed at the end of each month with 10 days' prior written notice. There are no unfunded commitments at December 31, 2018.

The assets of the Fund are invested as follows:

	<u>2018</u>	<u>2017</u>
Portfolio funds: (a)		
Equity strategies	21.3%	23.7%
Absolute return	18.3%	18.3%
Private equity	11.7%	7.7%
Equity hedge	9.3%	9.0%
Other	1.1%	1.4%
Global stock, fixed-income and hard asset mutual funds	21.0%	20.6%
Marketable securities:		
Common stock	12.1%	12.1%
Depository receipts	1.3%	1.6%
Cash and cash equivalents	<u>3.9%</u>	<u>5.6%</u>
Total	<u>100%</u>	<u>100%</u>

- (a) Portfolio fund investments are subject to the terms of the respective portfolio fund's agreements, offering documents and other governing agreements. Additionally, most, if not all, of the portfolio funds in which the Fund invests may restrict both the transferability of the Fund's interest and the Fund's ability to withdraw. Due to these restrictions, investments in certain portfolio funds are viewed as illiquid and subject to liquidity risk.

Legal, tax, and regulatory changes could occur during the term of EHF's investment in the Fund. The regulatory environment for alternative investment funds is evolving, and changes in the regulation of these funds may adversely affect the value of investments held by EHF. EHF believes that the effect of any future regulatory change in EHF's assets would not materially impact the value.

Investments are exposed to various risks such as interest rate, market and credit risks. Alternative investments such as the Fund include additional risks because of their complex nature and limited regulations resulting in a greater risk of losing invested capital. Such risks include, but are not limited to, limited liquidity, absence of oversight, dependence upon key individuals, emphasis on speculative investments (both derivatives and nonmarketable investments), and nondisclosure of portfolio composition. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

Partnership Income

Partnership income from investment in the Fund consists of the following:

	<u>2018</u>	<u>2017</u>
Realized and unrealized gain (loss)	\$ (56,636,956)	\$ 141,729,247
Interest and dividends	15,297,690	9,620,793
Investment management and incentive fees	(2,732,443)	(8,490,962)
Other expenses	<u>(2,437,081)</u>	<u>(542,132)</u>
Total partnership income (loss)	<u>\$ (46,508,790)</u>	<u>\$ 142,316,946</u>

NOTE 7 – FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date. The types of investments included in Level 1 are securities traded and valued based upon a public exchange.
- *Level 2* – Inputs are quoted prices in nonactive markets or in active markets for similar assets or liabilities, or inputs which are either directly or indirectly observable with observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity's assumptions about the inputs market participants would use in pricing the asset or liability.

Investments for which fair value is measured using net asset value or its equivalent as a practical expedient are not required to be categorized in the fair value hierarchy.

Assets measured at fair value at December 31, 2018 are as follows:

				NAV – PRACTICAL EXPEDIENT	TOTAL
Investments:					
EH Investment Fund, L.P.				\$ 1,059,793,295	\$ 1,059,793,295
Total investments				<u>1,059,793,295</u>	<u>1,059,793,295</u>
	LEVEL 1	LEVEL 2	LEVEL 3		
Cash and cash equivalents:					
Money market mutual funds	\$ 1,772,093				1,772,093
U. S. Treasury securities	<u>29,693,420</u>				<u>29,693,420</u>
Total assets measured at fair value	<u>\$ 31,465,513</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,059,793,295</u>	<u>\$ 1,091,258,808</u>

Assets measured at fair value at December 31, 2017 are as follows:

				NAV – PRACTICAL EXPEDIENT	TOTAL
Investments:					
EH Investment Fund, L.P.				\$ 1,106,302,085	\$ 1,106,302,085
Total investments				<u>1,106,302,085</u>	<u>1,106,302,085</u>
	LEVEL 1	LEVEL 2	LEVEL 3		
Cash and cash equivalents:					
Money market mutual funds	\$ 15,611,349				15,611,349
U. S. Treasury securities	<u>16,297,915</u>				<u>16,297,915</u>
Total assets measured at fair value	<u>\$ 31,909,264</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,106,302,085</u>	<u>\$ 1,138,211,349</u>

Valuation methods used for assets measured at fair value are as follows:

- *EH Investment Fund, L.P.* is valued using the net asset value (or its equivalent) as a practical expedient to report the fair value of the investment. The fair value of the Fund is based on information provided by the General Partner of the Fund. Management takes into consideration consultation with Fund investment managers and audited financial information to determine the overall reasonableness of the recorded fair value.
- *Mutual funds* are valued at the published net asset value of shares held at year end.
- *U. S. Treasury securities* are valued using prices obtained from active market makers and inter-dealer brokers on a daily basis.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while EHF believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

NOTE 8 – PROPERTY

Property is comprised of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 750,000	\$ 750,000
Buildings and improvements	<u>11,185,105</u>	<u>11,116,641</u>
Total property, at cost	11,935,105	11,866,641
Accumulated depreciation	<u>(2,511,969)</u>	<u>(1,831,761)</u>
Property, net	<u>\$ 9,423,136</u>	<u>\$ 10,034,880</u>

NOTE 9 – GRANTS PAYABLE

At December 31, 2018, grants approved and committed for future payments are payable as follows:

	<u>OTHER DIOCESAN OPERATING ENTITIES</u>	<u>GCF</u>	<u>OTHER</u>	<u>TOTAL</u>
2019	\$ 5,020,000	\$ 4,017,548	\$ 12,094,880	\$ 21,132,428
2020		4,920,093	5,485,219	10,405,312
2021			<u>1,057,065</u>	<u>1,057,065</u>
Total grants payable	5,020,000	8,937,641	18,637,164	32,594,805
Discount to net present value at 1.98% to 2.46%	<u>0</u>	<u>(117,179)</u>	<u>(181,127)</u>	<u>(298,306)</u>
Grants payable, net	<u>\$ 5,020,000</u>	<u>\$ 8,820,462</u>	<u>\$ 18,456,037</u>	<u>\$ 32,296,499</u>

EHF provided a \$5 million grant in 2018 and a \$10 million grant in 2017 to a related Diocesan operating entity to fund a portion of clergy health insurance costs for all Diocesan entities. EHF provided other grants to related Diocesan entities totaling approximately \$1,702,000 in 2018 and \$601,000 in 2017.

During December 2017, EHF approved a conditional grant of up to \$2.0 million in support to EDOT to assist with Hurricane Harvey response and recovery initiatives. This grant is conditioned upon EDOT identifying qualifying projects. The total amount approved and funded through December 31, 2018 was approximately \$1.2 million. At December 31, 2018, the unfunded commitment of approximately \$800,000 has not been recognized as grants payable.

NOTE 10 – CONTRACTUALLY-RESTRICTED NET ASSETS

Under the provisions of the Agreement, EHF is required to expend 85% of the proceeds of the transfer of assets of SLEH for health initiatives, as defined in the Agreement and 85% of the proceeds within the 57 counties that comprise the Diocese. Transactions and balances related to such restrictions are as follows:

Contractually-restricted net assets, January 1, 2017	\$ 934,787,943
Expenditure of funds for restricted purposes	<u>(41,302,372)</u>
Contractually-restricted net assets, December 31, 2017	893,485,571
Expenditure of funds for restricted purposes	<u>(39,477,731)</u>
Grant reversion	<u>217,500</u>
Contractually-restricted net assets, December 31, 2018	<u>\$ 854,255,340</u>

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 4, 2019, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

CANONICAL REPORTS

COMMISSION ON MINISTRY

According to the Constitutions and Canons of the Episcopal Church, the Commission shall advise and assist the Bishop:

- In the implementation of Title III, Canons 6, 8 and 10 pertaining to ordination.
- In the determination of present and future opportunities and needs for the ministry of all baptized persons.
- In the design and oversight of the ongoing process for recruitment, discernment, formation for ministry, and assessment of readiness.

In 2016, the Commission on Ministry sponsored the creation of the Discovery Retreat to provide time, place and space for communicants in the Diocese of Texas to discern their call and vocation in serving God's kingdom through lay and ordained ministries. Three years later, as of September 2019:

- 241 people have attended a Discovery Retreat.
- 180 people across the Diocese have been trained to participate in regional discernment committees, and
- 66 discernment committees have met with aspirants to assist them in discerning their call.

The Committee for the Diaconate is a part of the Commission on Ministry. Aspirants for the diaconate and the priesthood are interviewed by the appropriate commission or committees after successfully completing the application process which includes meeting with a discernment committee. It also includes a meeting with the Executive for Ministry, who makes the final decision regarding postulancy. After Postulants are approved to attend seminary or the Iona School of Ministry, the Commission continues to track their progress until they graduate and are ordained. Across all three classes (Junior, Middler and Seniors there are 11 diaconate student, 8 Bi-vocational students, and 16 full time seminary students. By the time Council meets, most of the 10 Transitional Deacons will have been ordained priests. I am personally please with the increase in the number of students we have and hope more come forward who are willing to serve in lay and ordained ministries as we continue to move out into the world.

As part of Bishop Doyle's Vocation Taskforce, the ordination process was closely reviewed and recommendations made to further streamline the process while still complying with National and Diocesan canons. A presentation was made at the Clergy conference in October, highlighting the proposed changes. Final changes will be published shortly after Diocesan Council

Your prayers are greatly appreciated for the Commission, its members and all those answering God's call to serve.

Francene Young, Chair

EXAMINING CHAPLAINS

The Examining Chaplains met in January at Camp Allen to examine eight persons (3 seminarians and 5 IONA graduates) for ordination as Deacons. We continue to use the process we began in 2011 as a replacement for the National General Ordination Examinations. We continue to find it a more satisfactory assessment of the students' knowledge and writing skills as well as their practical application of those skills. We met for three days for a series of written and oral exams. Each student was to be prepared to conduct one of the Daily Offices, including preaching a sermon on an assigned text. This process allows us to know the students better and understand their seminary experience through both informal and group discussions. We met in October at the Clergy Conference for a short series of oral examinations of the new Deacons before recommending them for ordination as Priests. The current Chaplains are A. Dean Calcote, Mark T. Crawford, Nancy P. De Forest, Patrick M. Hall, Eileen E. O'Brien, and Edward L. Stein.

A. Dean Calcote, Chair

DEACON'S REPORT

Our thirty – eight deacons, many of whom hold “regular” jobs, are involved in a great diversity of diaconal work throughout the Diocese. Several have stopped doing active ministry due to health or other issues.

One deacon continues to be involved in the Austin Recovery ministry, a twelve-step recovery ministry. This deacon continues to listen to 5th steps and participates in a monthly prayer/communion service with a priest. One deacon is on the board of Christ Clinic, a clinic in Katy for adults without health insurance. Seven deacons do hospital chaplaincy at local hospitals. One deacon serves as the community member on the Professional Consultative Committee for the Harris Health System's CPE Program. Two deacons do hospice chaplaincy. One deacon works with a local organization called Love Inc. which serves the needy.

Deacons continue to assist families who are still recovering from Hurricane Harvey. Four deacons are involved in ministry to the elderly and/or disabled at assisted living facilities and nursing homes serving more than 100 participants. One deacon supports job search assistance through the Hope Center. Three deacons are now involved in Kairos Prison Ministry. Several deacons do other ministry in prisons including a Jubilee ministry team, chaplain work, facilitation of an Overcomers Program or Bridges to Life, mentorship programs in juvenile detention and for women in jail and in prison, reVision for at risk and incarcerated youth, etc. In response to a teen suicide in Salado, Tx. one deacon facilitated discussions with a local ministry council which resulted in a program (an inspirational speaker, a Christian contemporary singer, etc.) that was held at the local high school. Five deacons are involved in feeding ministries, (Hunger Initiative, Food for the Poor, Feed My Sheep, Nutrition Backpack Ministry, 249 & Hope, Mobile Loaves and Fishes, etc.). One deacon participates in the Middle Way Project – an informal interfaith gathering for the purpose of education and fostering peace and social justice. One deacon serves as a member of the Kitchen Cabinet advisory group of EHF. Six deacons

are involved in grief support in general, Walking the Mourner's Path, GriefShare and Footprints – children's grief. One deacon leads a ministry called the Gathering Place, a monthly program for those with memory loss. Another deacon participates in ministry through deployment of the Tiny Chapel. Several deacons are chaplains to law enforcement departments. One deacon participated in the Jerusalem Peacebuilders project.

Some teach first Communion and/or Confirmation classes. Five deacons have Bible Study groups – one at a Wine Bar, some with women alone and some with men alone. One deacon serves as needed at St. James House. Several deacons participate in Ashes to Go. One deacon serves as leader for the Independence Manor Missional Community. One deacon participated in an annual mission trip to Honduras. A group of deacons travelled to the Mexican border to volunteer in the respite center in McAllen and Brownsville to learn about what is happening “on the ground.” One deacon continues this connection through St. David's in Austin and through Team Brownsville. One deacon assisted refugees through Refugee Services of Texas. Several deacons are team members of our diocesan Emergency Spiritual Care Team.

In addition to this work in our communities, several deacons serve in Diocesan-wide roles. The Reverend Pat Ritchie serves as Chair of the Committee for the Diaconate, the Reverend Mary Lenn Dixon is Dean for the Diaconate track at the Iona School for Ministry, the Reverend Tamara Clothier supervises field work for the deacons in formation and additionally, the Reverend Wanda Cuniff serves on the Committee for the Diaconate. Several deacons serve as mentors for Iona students during formation. The Reverend Jan Halstead is the Diocesan Jubilee Officer, the Reverend Victoria Mason coordinates Discovery Retreats, trains Regional Discernment ministers and is Secretary to the EDOT Hispanic Ministries Commission, the Reverend Wanda Cuniff has served on the Division of Spiritual Formation and Ms. Alyssa Stebbing, the Reverend Linda Shelton and the Reverend Sherry Williams have been the Diocesan Liaisons for Episcopal Migration Ministries, which has included advocacy in Washington for refugee ministry funding support. Additionally, the Reverend Linda Shelton represents the Episcopal Church on Interfaith Ministries' Refugee Services Committee and Houston Refugee Consortium. The Reverend Joseph Mills serves on the Restorative Justice Ministry Committee. The Archdeacon serves in a consulting organization through Episcopal Relief and Development that works with dioceses and congregations who have experienced disasters and need assistance with how to respond. In addition, the Venerable Russ Oechsel is the Diocesan Disaster Coordinator.

Russ Oechsel, Jr., Archdeacon

STANDING COMMITTEE

The Standing Committee of the Episcopal Diocese of Texas consists of three priests and three lay communicants within the diocese, elected by Council for a three-year term. It functions as a committee of advice to the bishop and is called at the bishop's discretion, or it may meet of its own accord. The Standing Committee gives consent for persons to become candidates for Holy Orders, consent for ordinations and consent to elections of bishops in other dioceses. When there is no bishop or bishop

coadjutor, the Standing Committee becomes the ecclesiastical authority of the diocese.

It has been an honor and joy to serve as President of the Standing Committee for the Episcopal Diocese of Texas and serve with such faithful members. The work of the Standing Committee has been fulfilling and it is a privilege to serve on behalf of the Diocese of Texas.

Committee members:

To 2020:

Marcia Quintanilla (Secretary)

The Rev. James Pevehouse (President)

To 2021:

Edward Ziegler

The Rev. Genevieve Razim

To 2022:

Gwendolyn Chance

The Rev. Jason Ingalls

During the year the standing committee:

- Met with Bishop Doyle to learn and of matters pertaining to the Diocese of Texas.
 - Upon request from the Presiding Bishop, letters of call were written and signed for all our Bishops.
- Updated orientation materials to aid those who serve on the Standing Committee.
- Gave consent to 9 candidates for Holy Orders.
- Gave consent to 9 candidates for Ordination to the Diaconate.
- Gave consent to 9 candidates for Ordination to the Priesthood.
- Requested and received the necessary number of Standing Committee consents for the Ordination and Consecration of the Rev. Canon Kathryn (Kai) Ryan as Bishop Suffragan of the Diocese of Texas
- Gave consent in the election of:
 - The Rev. Canon Susan Brown Snook as Bishop Diocesan of the Diocese of San Diego.
 - The Rev. Dr. Jonathan H. Folts as Bishop Diocesan of the Diocese of South Dakota.
 - The Rev. Dr. Shannon MacVean-Brown as Bishop Diocesan of the Diocese of Vermont.
 - The Rev. Canon Lucinda Ashby as Bishop Diocesan of the Diocese of El Camino Real.
 - The Rev. Dr. Bonnie A. Perry as Bishop Diocesan of the Diocese of Michigan.
 - The Rev. Thomas James Brown as Bishop Diocesan of the Diocese of Maine.
 - The Rev. Martha “Marty” Stebbins as Bishop Diocesan of the Diocese of Montana

- The Rev. Dr. Lennon Yuan-Rung Chang as Bishop Diocesan of the Diocese of Taiwan
- The Rev. Susan B. Haynes as Bishop Diocesan of the Diocese of Southern Virginia

James M. Pevehouse, President

DISCIPLINARY BOARD

There were six complaints received by the Disciplinary Board during the course of this reporting year. All were resolved. Members of the Disciplinary Board and the year in which their terms expire are as follows: The Rev. Carissa Baldwin – McGinnis, St. Andrew's, Houston (2020); Mr. Mike Hughes, Trinity Galveston (2020); The Rev. Keith F. Giblin, St. Paul's Orange (2020); Lora J. Livingston, St. James' Austin (2021); The Rev. Pedro Lopez, San Pedro Pasadena (2021); The Rev. Lisa Hunt, St. Stephen's Houston (2022); and Anne O'Connell, St. Matthew's Austin (2022)

Keith F. Giblin, President

EDOT FINANCE

2020 PROPOSED BUDGET FORMULA

Outlined below is the budget formula used to determine the Diocesan and Insurance Assessments for each parish and mission in the Diocese of Texas. The original formula was passed by the 143rd Council. As a result of the movement to one budget, the Formula has been amended to eliminate the Asking for the Missionary Budget. There was a one time reset of the breakpoints in 2014 that had been in place since 1995 and a reduction in the rates for calculating assessments.

1. Part (A) – The Insurance Formula

GOAL: To allocate equitably to parishes and missions the insurance program costs for the diocesan clergy and families, retired clergy and spouses, diocesan lay employees, and spouses of deceased clergy. *(Note 1)*

METHOD:

A. Create an annual Program Cost Factor (PCF) as follows:

PCF = Total Insurance Cost divided by the sum of:
(1) Total Parish Operating Revenue *(Note 2)* plus
(2) 75% of Total Mission Operating Revenue

B. Allocate health insurance cost to individual congregations as follows:

(1) **Parishes** – Insurance Assessment (IA) =
Parish Operating Revenue X PCF

(2) **Missions** – Insurance Assessment (IA) =
75% x Mission Operating Rev. X PCF

2. Part (B) – Diocesan Budget

GOAL: To allocate equitably to parishes and missions the monies that will be used to fund the Diocesan Budget.

METHOD:

A. Multiply Total Operating Revenue by the Percentage Factor (PF) using the break points noted below to determine the Maximum Formula (B) (MFB):

2020 Base Percentage

Total Operating Revenue PF

UP TO		\$220,000	6%
\$220,001	to	\$333,000	7%
\$333,001	to	\$555,000	8%
\$555,001	to	\$887,000	9%
OVER \$887,001			10%

The four break points have been adjusted annually by an amount equal to the change in Consumer Price Index (CPI), which was 1.9% for the 2020 calculation. Such adjustments to the break points shall be rounded to the nearest thousand dollars.

B. Determine the Formula (B) Request (FBR) –

For 2020 the **MFB** (Maximum Formula B Request) was compared to the MFB of the preceding year and adjusted, if necessary, so as not to increase more than 10 percent or decrease more than 20 percent. Under no circumstances, however, is the current year MFB to constitute less than 5 percent or more than 10 percent of a church's Operating Revenue.

NOTES:

- 1) This calculation is for the amount of the insurance expense in excess of the \$5 million provided by the Episcopal Health Foundation to offset this expense.
- 2) The Operating Revenue used for both Formula (A) and Formula (B) is the parish's operating revenue (as reported in their parochial report) for the year that is two years before the budget year. (For 2020, the Operating Revenue used was that of 2018.)

Linda Riley Mitchell, CFO

2020 DIOCESAN BUDGET

The Episcopal Diocese of Texas

2020 Budget



As Approved by the Executive Board on December 2019 and
Recommended to the 171st Diocesan Council.

Confidential

THE EPISCOPAL DIOCESE OF TEXAS

2020 Proposed budget

	2018 Budget	2019 Budget	2020 Budget	NOTES
REVENUES				
Assessments				
Diocesan	7,481,148	7,657,710	7,764,634	AT
Insurance	542,849	552,644	574,750	HE
Less: Allowance for Uncollectible Accounts	(160,480)	(164,207)	(83,394)	PR
Net Assessment Revenue	7,863,517	8,046,147	8,255,990	
Foundation Support and Overhead Allocation				
Church Corporation	478,773	635,969	697,528	
Bishop Quin Foundation	371,974	389,039	413,225	
The Episcopal Foundation of TX	402,761	423,856	445,903	
Episcopal Health Foundation	802,023	809,704	860,559	
Great Commission Fund	335,414	363,536	388,174	
Episcopal Seniors Foundation	35,000	35,000	35,000	
Total Foundation Overhead Payments	2,425,945	2,657,104	2,840,389	
Program Revenues				
IONA Program Revenue	78,000	90,000	75,000	IO
Wellness & Care Revenue	1,000	-	-	
Commission on Ministry Revenue	10,000	10,000	10,000	
Congregational Vitality		10,000	7,000	
Formation/Youth Event Revenue	117,500	117,500	110,000	
Unified Commission Revenues	14,750	16,000	10,000	
Recovery Ministries Income	6,000	-	-	
Episcopal Service Corps	133,636	90,000	-	AM
Other Program Revenue	1,000	27,000	27,000	
Total Program Revenues	361,886	360,500	239,000	
Other Revenues				
Dialog Contributions	-	-	1,000	
Bequests and Donations	-	-	2,000	
Diocesan Council	196,000	216,596	180,000	
ERD Relief Grant	125,000	-	-	
Compass Rose Society Reimbursement	75,000	75,000	75,000	
Miscellaneous Income	1,000	1,000	15,000	
Brochures Sales	4,000	4,000	4,000	
Other Conference Fees	10,000	-	-	
Total Other Revenues	411,000	296,596	277,000	
TOTAL REVENUES	11,062,349	11,360,347	11,612,379	

EXPENDITURES

OFFICE OF THE BISHOP

Clergy Compensation

Clergy Salaries

Bishop of Texas	297,030	308,041	319,382
Bishop Suffragan - Tyler	106,877	111,523	116,309
Bishop Suffragan - Austin	131,088	101,269	104,309
Assisting Bishop	104,877	109,523	114,309
Visiting Bishops	2,000	12,000	12,000
Canon to the Ordinary	116,500	121,795	126,371
Chief of Staff	80,528	86,930	92,500
Secretary of the Diocese	6,719	7,160	7,615
Total Clergy Salaries	845,619	858,242	892,795

Housing Allowance and Maintenance

Bishop of Texas	70,000	70,000	70,000
Bishop Suffragan - Tyler	48,000	48,000	48,000
Bishop Suffragan - Austin	38,000	31,667	60,000
Assisting Bishop	50,000	50,000	50,000
Canon to the Ordinary	60,000	60,000	36,000
Chief of Staff	48,000	48,000	47,000
Secretary of the Diocese	8,000	8,000	8,000
Rectory maintenance		86,643	86,643
Total Housing Allowance and Maintenance	322,000	402,310	405,643

Pension and Social Security Reimbursement

Bishop of Texas	121,056	129,340	133,360
Bishop Suffragan - Tyler	60,922	65,227	67,567
Bishop Suffragan - Austin	65,414	54,355	67,567
Assisting Bishop	60,922	65,227	67,567
Canon to the Ordinary	56,851	58,607	55,202
Chief of Staff	46,658	47,337	50,247
Secretary of the Diocese	5,507	5,507	5,843
Life Insurance	25,000	25,000	20,000
Other Defined Contributions	10,000	10,000	10,000
Total Pension and SS Reimbursement	452,330	460,600	477,353
Total Clergy Compensation	1,619,949	1,721,152	1,775,791

Lay Staff Compensation

Salaries	608,042	625,596	600,249
Pension	54,724	56,304	54,022
Employer FICA	46,515	48,638	45,919
Total Lay Staff Compensation	709,281	730,538	700,190

Business and Travel Expense			
Bishop of Texas	90,000	120,705	130,000
Bishop Suffragan - Tyler	60,000	58,000	50,000
Bishop Suffragan - Austin	42,000	47,000	50,000
Assisting Bishop	45,000	50,000	50,000
Visiting Bishops	12,500	13,500	10,000
Canon to the Ordinary	35,000	35,000	35,000
Chief of Staff	17,500	17,500	23,500
Secretary of the Diocese	1,500	1,500	1,500
Retired Diocesan Bishops	5,000	5,000	5,000
Archdeacon and Deacons	8,000	8,000	8,000
Business and Travel - Staff	18,000	24,000	24,000
Vehicle Depreciation	36,000	46,000	54,848
Total Business and Travel Expense	370,500	426,205	441,848
 Clergy Conference	 110,000	 117,000	 120,000
 TOTAL OFFICE OF THE BISHOP	 2,809,730	 2,994,895	 3,037,829

Communication Department

Communication Staff Compensation	375,803	
Dialog	40,500	
Communications Department	25,000	
New Initiatives Marketing and communications	35,000	
Licensing, Training, Social Media, Memberships	12,000	
Conferences, training, travel	1,500	
Video Equipment	-	
Website Redesign	10,000	
Business and Travel	28,000	
	527,803	RO

CANONICAL EXPENSES

Diocesan Council	321,800	331,850	250,000	
Historian and Archives	10,000	10,000	10,000	
Bishop Suffragan Transition	40,000	125,000	-	EL
Commission on Ministry	65,000	73,300	73,300	
General Convention - Deputies	50,000	-	-	
Executive Board	11,000	11,000	10,000	
Standing Committee	1,200	1,200	1,000	
Office of the Secretary	1,000	1,000	-	
TOTAL CANONICAL EXPENSES	500,000	553,350	344,300	

MINISTRY EXPENSES

Ministry Staff Compensation

Salaries, Stipends and Housing	802,239	684,959	449,897	
Pensions	99,741	89,856	57,263	
Social Security	81,642	72,548	65,374	
Total Ministry Staff Compensation	983,622	847,363	572,534	IN, RO

Communications

Dialog	24,000	24,000		
Communications Department	6,000	6,000		
New Initiatives Marketing and communications	15,000	35,000		
Licensing, Training, Social Media, Memberships	8,500	8,500		
Conferences, training, travel	5,000	5,000		
Video Equipment	700	700		
Website Redesign	13,000	13,000		
Business and Travel	25,000	18,000		
Total Communications	97,200	110,200		RO

Transition Ministry

Travel & Business - Transition Minister	11,000	11,000	22,500	
Bishop's Fellows	75,000	75,000	75,000	BF
Total Transition Ministry	86,000	86,000	97,500	

Wellness and Care Ministry

Business and Travel	15,000	15,000	15,000	
Safe Church (Congregational Wellness /Care)	56,000	57,500	57,750	
Clergy & Family Wellness/Care	10,000	42,500	42,500	
Recovery Ministry	6,000	6,000	6,000	
Total Wellness and Care Ministry	87,000	121,000	121,250	

Other Ministry Expenses

Interfaith and Ecumenical Work	2,500	2,500	2,500	
Chaplains to the Retired	7,200	6,000	6,000	
Consultant for Schools	13,500	12,500	12,500	
Support for Congregations	70,000	70,000	70,000	
Calling & Moving	75,000	105,000	110,000	
Iona School and Center	145,000	165,000	170,000	
Clergy Training (Clericus, Curates, Cont. Educ. & FTIC)	45,900	50,000	64,000	
Conferences & Clergy Gatherings	73,500	90,000	90,000	
Total Other Ministry Expenses	432,600	501,000	525,000	

TOTAL MINISTRY EXPENSES

1,686,422	1,665,563	1,316,284	
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MISSION AMPLIFICATION

Mission Amplification Compensation	760,320	853,769	1,024,148	RO, IN
Business/Travel - Mission Amp Team	91,500	80,000	78,500	
Congregational Vitality	124,500	101,350	98,000	
Youth Ministry	132,600	142,600	111,500	
Young Adults	167,709	83,855	18,500	AM
TOTAL MISSION AMPLIFICATION EXPENSES	<u>1,276,629</u>	<u>1,261,574</u>	<u>1,330,648</u>	

SERVICE AND OUTREACH

Support of the Episcopal Church	1,327,162	1,352,704	1,381,502	DA
Support of the Anglican Communion	300,000	300,000	300,000	
Support for the University of the South	8,000	5,000	5,000	
Provincial Synod Assessment	13,500	7,500	7,500	
Sustainable Development Goals	77,436	79,522	80,703	0.7% of Rev.
World Mission	35,000	25,000	25,000	
Companion Dioceses	40,000	50,000	50,000	
Disaster Outreach Expense	3,000	-		
Unified Commissions Expense	47,000	57,500	75,000	
Prison & Restorative Justice Missions	40,000	40,000	40,000	
TOTAL SERVICE AND OUTREACH	<u>1,891,098</u>	<u>1,917,226</u>	<u>1,964,705</u>	

ADMINISTRATIVE EXPENSES

Lay Staff Compensation				
Salaries	692,811	758,187	772,650	IN
Reserve for Salary Increases	30,000	30,000	50,000	
Pensions	62,675	68,237	69,820	
Employer FICA	51,093	48,572	47,398	
Total Staff Compensation	836,579	904,996	939,869	
Diocesan Center Operating Expense				
Information Technology	320,520	266,535	251,080	OH, IT
Utilities	90,000	90,000	80,000	OH
Janitorial, Maint. & Building	90,000	97,000	105,000	OH
Houston office support to PECC		98,000	98,000	OH
Rent - Austin & Tyler Offices	95,000	96,216	96,216	
Storage	21,000	18,000	22,000	
Total Diocesan Center Operating Expense	616,520	665,751	652,296	
General Office Expense				
Office Equip Lease/Maint	45,000	45,000	50,000	
Office Supplies/Printing	46,000	46,000	45,000	
Communications-Telephone	46,400	40,000	34,006	
Postage/Delivery Expense	29,100	20,000	19,000	
Miscellaneous Office Expense	10,000	10,000	11,167	
Payroll Processing Expense	12,000	12,000	14,302	
Depreciation - Furniture & Equipment	24,000	42,000	42,000	
Total General Office Expense	212,500	215,000	215,475	OH
Insurance				
Diocesan Property & Casualty Insurance	79,546	79,027	90,156	OH
Diocesan Workers' Compensation Insurance	24,001	14,000	30,000	OH
Automobile Insurance for Diocesan Vehicles	21,000	24,000	24,000	
Group Health Insurance	542,846	477,644	499,750	
Other Health Insurance Costs (insurance reserve)	75,000	75,000	75,000	
Total Insurance	742,393	669,671	718,906	
Other Administrative Expenses				
Overhead reimbursement to the EDOT FSC	288,978	280,021	290,264	
Legal Expense	50,000	60,000	60,000	
Diocesan Audit	27,000	25,000	25,000	
Interest and Bank Fees	11,800	11,800	10,000	
Business/Travel-Finance Staff	75,500	75,500	89,000	OH
Subsidy Pension - Retired Clergy	7,200	6,000	6,000	
Diocesan Staff meetings	20,000	24,000	24,000	
HR Consulting & other transition costs	10,000	20,000	10,000	
Employee training and development		5,000	25,000	
Consulting			20,000	
Miscellaneous Operating Expense	-	5,000	5,000	
Total Other Admin	490,478	512,321	564,264	
TOTAL ADMINISTRATIVE EXPENSES	2,898,470	2,967,739	3,090,810	
TOTAL EXPENSES	11,062,349	11,360,347	11,612,379	

Special Accounts - Net			
Revenues over (under) Expenses	-	-	-
NET CHANGE IN ASSETS	\$ -	\$ -	\$ -

NOTES

- AT Assessment** - The Diocesan Assessment increased as a result of changes in Parish revenues. There were no formula changes.
- HE Health Insurance Costs** - This assessment amount is net of the \$5 Million grant from the Episcopal Health Foundation to offset these costs. Insurance expense is offset by the Insurance Assessment.
- PR Provision for Uncollectible** - This amount is 1% of the Assessments and represents the amount unlikely to be paid by congregations.
- OH Overhead** - These amounts represent reimbursement to the Diocese for overhead expenses incurred on behalf of the Foundations.
- RO Reorganization** - Personnel and departmental changes related to ongoing reorganization of Diocesan office.
- EL Bishop Suffragan Election** - Expenses related to Transition of Bishop Suffragan of Western Region are eliminated in 2020.
- AM** Reorganization of Young Adults ministry.
- BF Bishop Fellows** - Grant to employ clergy in transition supported by the Episcopal Health Foundation.
- IN Increases** - The Diocese adjusted compensation for all clergy and lay staff by an average of 3% for 2020.
- IT Information Technology** - Savings due to the transfer of IT network support functions to EDOT staff that had been outsourced.
- DA Diocesan Asking** - The Diocese has reached its goal to meet the TEC asking (15% of revenues).

Linda Riley Mitchell, CFO

SUMMARY OF 2019 BUDGET CHANGES

	Favorable (unfavorable)	
Increase in Assessment Revenue	127	
Decrease in Allowance for Doubtful Accounts	83	
Increase in Foundations support	137	
Decrease in Council revenue	(37)	
Wellness and Care Church Corporation Grant	46	
Changes in Youth Ministry	(90)	
Other revenues decrease	(15)	
	<hr/>	<hr/>
		252
		<hr/>
Compensation adjustment for cost of living --3%	(119)	
 Office of the Bishop		
Transfer Social Media from the Office of the Bishop	55	
West Region Bishop budgeted for full 12 months	(42)	
Business and Travel	16	
Other	(24)	
	<hr/>	<hr/>
		5
 Communications Department		
Transfer Social Media from the Office of the Bishop	(55)	
Reorganization increases	(29)	
Other	(33)	
	<hr/>	<hr/>
		(117)
 Canonical expense		
Austin Bishop Suffragan transition costs in 2019, not in 2020	125	
Diocesan Council savings from Waco location	82	
Other	2	
	<hr/>	<hr/>
		209
 Ministry		
New initiative - Beginning Well	(14)	

Increase in Calling and moving and IONA	(10)	
Other	(6)	
	<hr/>	(30)
Mission Amp		
Staff additions	(140)	
Re-evaluation of young adult and youth ministry	96	
Other	(4)	
	<hr/>	(48)
Service and Outreach		
Increase in Support of the Episcopal Church	(29)	
Unified commission budget increase	(18)	
Other	(1)	
	<hr/>	(47)
Administration		
Decrease in IT expenses	15	
Increase in Insurance expenses	(49)	
Employee development and consulting	(50)	
Other	(22)	
	<hr/>	(106)
		<hr/>
		(252)
		<hr/>
		(0)
		<hr/> <hr/>

Linda Riley Mitchell, CFO

2020 DIOCESAN ASSESSMENTS

<u>Church</u>	<u>City</u>	<u>2018 Total Operating Revenues</u>	<u>Insurance Assessment for 2020</u>	<u>2020 Assessment Diocesan</u>
PARISHES			<u>Part A - Insurance Assessment</u>	
Grace	Alvin	293,529	1,927	14,676
Holy Comforter	Angleton	276,617	1,816	19,363
All Saints'	Austin	947,901	6,221	94,790
Good Shepherd	Austin	3,292,173	21,607	328,881
St. Alban's	Austin	321,543	2,110	26,702
St. Christopher's	Austin	246,044	1,615	14,064
St. David's	Austin	4,273,929	28,051	306,151
St. George's	Austin	240,835	1,581	16,858
St. John's	Austin	200,228	1,314	12,014
St. Luke's on the Lake	Austin	844,894	5,545	79,453
St. Mark's	Austin	598,914	3,931	53,902
St. Matthew's	Austin	1,294,780	8,498	129,478
St Michael's	Austin	746,486	4,899	67,184
St. James'	Austin	649,922	4,266	58,493
Calvary	Bastrop	345,384	2,267	27,631
St. Mark's	Bay City	241,899	1,588	16,933
Trinity	Baytown	437,854	2,874	35,028
St. Mark's	Beaumont	833,710	5,472	75,034
St. Stephen's	Beaumont	568,615	3,732	51,175

St. Mary's	Bellville	234,413	1,539	13,173
St. Peter's	Brenham	353,100	2,317	28,248
St. Andrew's	Bryan	616,076	4,043	50,169
Epiphany	Burnet	138,597	910	8,316
Christ Church	Cedar Park	251,430	1,650	17,600
St. Francis'	College Station	159,462	1,047	9,568
St. Thomas'	College Station	522,052	3,426	41,764
St. James the Apostle	Conroe	690,935	4,535	62,184
St. Aidan's	Cypress	396,328	2,601	31,706
St. Mary's (Houston)	Cypress	610,259	4,005	54,923
Holy Trinity	Dickinson	381,284	2,502	19,075
Christ Church	Eagle Lake	123,870	813	7,432
St. Paul's	Freeport	33,208	218	1,992
Good Shepherd	Friendswood	415,942	2,730	33,275
Grace	Galveston	267,250	1,754	18,708
Trinity	Galveston	781,382	5,128	68,735
Grace	Georgetown	709,845	4,659	63,886
St. Bartholomew's	Hempstead	85,823	563	2,716
St. Matthew's	Henderson	106,183	697	6,371
Ascension	Houston	394,898	2,592	31,592
Christ Church Cathedral	Houston	3,883,462	25,488	388,346
Emmanuel	Houston	592,862	3,891	53,358
Epiphany	Houston	498,272	3,270	41,134

Holy Spirit	Houston	877,338	5,758	77,221
Hope	Houston	125,299	822	7,596
Palmer Memorial	Houston	1,856,727	12,186	185,673
San Mateo	Houston	373,014	2,448	18,651
St. Andrew's	Houston	737,798	4,842	39,631
St. Christopher's	Houston	318,820	2,092	25,123
St. Cuthbert's	Houston	702,971	4,614	63,267
St. Dunstan's	Houston	1,107,387	7,268	110,739
St. Francis'	Houston	2,018,684	13,249	201,868
St. James'	Houston	582,755	3,825	52,448
St. John the Divine	Houston	7,141,569	46,872	714,157
St. Luke the Evangelist	Houston	84,615	555	5,077
St. Mark's	Houston	1,109,240	7,280	110,924
St. Martin's	Houston	14,573,188	95,647	1,457,319
St. Stephen's	Houston	1,166,094	7,653	106,431
St. Thomas'	Houston	764,516	5,018	54,461
St. Thomas the Apostle	Houston	550,711	3,614	44,057
Trinity	Houston	935,114	6,137	93,511
Christ the King	Humble/Atascocita	279,054	1,831	19,534
St. Stephen's	Huntsville	234,313	1,538	16,402
Trinity	Jasper	77,887	511	4,673
Holy Apostles'	Katy	949,410	6,231	94,941
St. Paul's	Katy	394,145	2,587	27,203

St. Christopher's	Killeen	255,136	1,675	17,860
Good Shepherd	Kingwood	948,926	6,228	94,893
St. James'	La Grange	431,884	2,835	29,522
St. John's	La Porte	279,500	1,834	19,565
St. Timothy's	Lake Jackson	396,208	2,600	31,697
St. Mary's	Lampasas	148,829	977	8,898
St. Christopher's	League City	519,916	3,412	41,593
St. Stephen's	Liberty	236,424	1,552	16,550
St. Luke's	Livingston	102,454	672	6,147
St. Michael & All Angels	Longview	147,388	967	8,843
Trinity	Longview	640,793	4,206	57,671
St. Cyprian's	Lufkin	622,196	4,084	55,998
Trinity	Marble Falls	405,099	2,659	32,408
St. John's	Marlin	55,213	362	3,313
Trinity	Marshall	532,512	3,495	42,601
St. Catherine of Sienna	Missouri City	404,450	2,655	32,356
Christ Church	Nacogdoches	521,851	3,425	41,748
St. Paul's	Navasota	90,703	595	5,424
St. Philip's	Palestine	233,869	1,535	16,371
St. Andrew's	Pearland	584,797	3,838	51,439
Holy Trinity	Port Neches	331,446	2,175	16,572
St. Francis of Assisi	Prairie View	65,732	431	3,944
Calvary	Richmond	640,748	4,205	57,667

St. Mark's	Richmond	316,238	2,076	22,137
St. Richard's	Round Rock	702,800	4,613	50,923
St. John's	Sealy	81,805	537	4,810
Holy Comforter	Spring	518,313	3,402	31,144
All Saints'	Stafford	309,411	2,031	21,659
Holy Cross	Sugar Land	625,649	4,106	46,763
Christ Church	Temple	599,748	3,936	42,790
St. Francis'	Temple	239,812	1,574	17,037
St. George's	Texas City	162,557	1,067	9,753
Trinity	The Woodlands	1,306,283	8,573	130,628
Good Shepherd	Tomball	399,792	2,624	31,983
Christ Church	Tyler	1,604,179	10,529	160,418
St. Francis'	Tyler	278,532	1,828	17,911
Holy Spirit	Waco	339,563	2,229	20,595
St. Alban's	Waco	759,185	4,983	57,119
St. Paul's	Waco	1,224,963	8,040	122,496
St. Mary's	West Columbia	205,514	1,349	11,906
St. Thomas'	Wharton	209,504	1,375	12,702
	TOTAL PARISHES	84,342,761	553,559	\$ 7,518,841
MISSIONS				
Trinity	Anahuac	34,250	169	2,055
Resurrection	Austin	243,053	1,196	15,939

San Francisco De Asis	Austin	88,520	436	4,682
Epiphany	Calvert	15,034	74	902
All Saints'	Cameron	129,833	639	6,642
St. John's	Carthage	50,719	250	2,699
St. John's	Center	42,215	208	2,533
St. John's	Columbus	44,903	221	2,521
St. Martin's	Copperas Cove	63,468	312	3,808
All Saints'	Crockett	24,774	122	1,487
St. Augustine of Hippo	Galveston	16,050	79	1,306
St. Philip's	Hearne	18,806	93	527
All Saints'	Hitchcock	34,000	167	2,040
Grace (St. Geo & Pats)	Houston	234,141	1,153	16,390
Lord of the Streets	Houston	161,111	793	10,776
Redeemer	Houston	87,156	429	5,229
Santa Maria Virgen	Houston	212,504	1,046	12,750
St. Alban's	Houston	96,041	473	5,762
St. Timothy's	Houston			
St. Paul's & San Pablo	Houston	261,060	1,285	8,998
Christ the King	Houston (Alief)	159,719	786	9,519
Trinity	Jacksonville	48,620	239	2,917
Christ Church	Jefferson	56,094	276	3,366
St. Paul's	Kilgore	78,930	389	4,736
St. Michael's	La Marque	165,594	815	9,936
St. Peter's	Lago Vista	39,431	194	

				2,716
Church of the Cross	Lakeway	241,024	1,186	11,226
St. Paul's	Leigh	22,373	110	1,022
St. Luke's	Lindale	65,100	320	3,906
Holy Innocents'	Madisonville	14,849	73	942
St. Mary Magdalene	Manor	193,586	953	9,679
Christ Church	Matagorda	53,551	264	3,059
Christ Church	Mexia	43,600	215	2,616
St. Paul's	Orange	119,520	588	8,467
St. John's	Palacios	21,915	108	1,315
St. Peter's	Pasadena	297,860	1,466	17,059
St. Paul's	Pflugerville	56,416	278	3,385
St. Thomas'	Rockdale	29,259	144	1,756
St. Julian of Norwich	Round Rock	293,841	1,446	16,160
St. Joseph's	Salado	93,602	461	5,616
Christ Church	San Augustine	89,393	440	4,470
St. John's	Silsbee	103,574	510	6,214
St. James'	Taylor	75,540	372	3,777
St. John the Baptist	Tyler	30,761	151	1,730
St. Paul's	Woodville	52,629	259	3,158
	TOTAL MISSIONS	4,304,419	21,188	\$ 245,793
	GRAND TOTAL	88,647,180	574,747	\$ 7,764,634

Linda Riley Mitchell, CFO

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS REPORT FOR THE
YEARS ENDED DECEMBER 31, 2018 AND 2017**

Episcopal Diocese of Texas

**(An operating unit of the Protestant
Episcopal Church in the Diocese of Texas)**

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2018 and 2017

Episcopal Diocese of Texas
(An operating unit of the Protestant Episcopal Church in the Diocese of Texas)

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Blazek & Vetterling
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Council of
the Protestant Episcopal Church in the Diocese of Texas:

We have audited the accompanying financial statements of Episcopal Diocese of Texas (an operating unit of the Protestant Episcopal Church in the Diocese of Texas), which comprise the statements of financial position as of December 31, 2018 and 2017 and the related statements of activities and of cash flows for the years then ended, the related statement of functional expenses for the year ended December 31, 2018, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

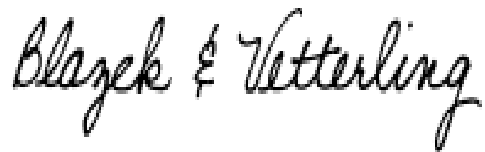
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Episcopal Diocese of Texas as of December 31, 2018 and 2017 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standard

As discussed in Note 2 to the financial statements, Episcopal Diocese of Texas adopted the amendments of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. These amendments have been applied on a retrospective basis to the financial statements as of and for the year ended, December 31, 2017 except that certain information has been omitted as permitted by the ASU. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Blaze & Vetterling". The script is cursive and fluid, with the ampersand being a simple loop.

June 28, 2019

Episcopal Diocese of Texas
(An operating unit of the Protestant Episcopal Church in the Diocese of Texas)

Statements of Financial Position as of December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 332,991	\$ 478,776
Assessments and other receivables, net:		
Diocesan operating entities	779,138	677,583
Grant receivable from The Bishop Quin Foundation	550,000	
Parishes and missions	505,512	426,922
Other	17,282	2,457
Prepaid expenses	120,031	113,141
Property, net (<i>Note 4</i>)	<u>424,445</u>	<u>425,120</u>
TOTAL ASSETS	<u>\$ 2,729,399</u>	<u>\$ 2,123,999</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 581,745	\$ 300,037
Grants payable to related entities	109,808	
Due to Diocesan operating entities	121,933	239,295
Funds held for parishes and missions	66,266	250,890
Deferred revenue	<u>93,656</u>	<u>132,406</u>
Total liabilities	<u>973,408</u>	<u>922,628</u>
Commitments (<i>Note 5</i>)		
Net assets:		
Without donor restrictions	883,083	798,465
With donor restrictions (<i>Note 5</i>)	<u>872,908</u>	<u>402,906</u>
Total net assets	<u>1,755,991</u>	<u>1,201,371</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,729,399</u>	<u>\$ 2,123,999</u>

See accompanying notes to financial statements.

Episcopal Diocese of Texas
(An operating unit of the Protestant Episcopal Church in the Diocese of Texas)

Statement of Activities for the year ended December 31, 2018

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Diocesan assessments of parishes and missions	\$ 8,000,806		\$ 8,000,806
Support from Diocesan operating entities:			
Protestant Episcopal Church Council of the			
Dioceses of Texas	476,385		476,385
The Episcopal Health Foundation	807,596	\$ 1,162,694	1,970,290
The Bishop Quin Foundation	406,587	1,181,348	1,587,935
Episcopal Foundation of Texas	390,374	581,348	971,722
The Great Commission Foundation	343,027	872,020	1,215,047
Contributions	4,127	927,327	931,454
Program fees	<u>633,018</u>		<u>633,018</u>
Total revenue	11,061,920	4,724,737	15,786,657
Net assets released from restrictions:			
Hurricane response and recovery	4,022,576	(4,022,576)	
Diocesan services	<u>232,159</u>	<u>(232,159)</u>	
Total	<u>15,316,655</u>	<u>470,002</u>	<u>15,786,657</u>
EXPENSES:			
Program services:			
Diocesan services	7,421,105		7,421,105
Hurricane response and recovery	<u>3,931,391</u>		<u>3,931,391</u>
Total program services	11,352,496		11,352,496
Management and general	2,252,379		2,252,379
Unallocated payments for support of the National			
Episcopal Church and the Anglican Communion	<u>1,627,162</u>		<u>1,627,162</u>
Total expenses (Note 7)	<u>15,232,037</u>		<u>15,232,037</u>
CHANGES IN NET ASSETS	84,618	470,002	554,620
Net assets, beginning of year	<u>798,465</u>	<u>402,906</u>	<u>1,201,371</u>
Net assets, end of year	<u>\$ 883,083</u>	<u>\$ 872,908</u>	<u>\$ 1,755,991</u>

See accompanying notes to financial statements.

Episcopal Diocese of Texas
(An operating unit of the Protestant Episcopal Church in the Diocese of Texas)

Statement of Activities for the year ended December 31, 2017

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Diocesan assessments of parishes and missions	\$ 7,917,275		\$ 7,917,275
Support from Diocesan operating entities:			
Protestant Episcopal Church Council of the Dioceses of Texas	383,669		383,669
The Episcopal Health Foundation	720,721	\$ 74,182	794,903
The Bishop Quin Foundation	451,159	207,091	658,250
Episcopal Foundation of Texas	239,562	37,091	276,653
The Great Commission Foundation	256,006	55,636	311,642
Contributions		392,335	392,335
Program fees	<u>641,039</u>	<u>4,288</u>	<u>645,327</u>
Total revenue	10,609,431	770,623	11,380,054
Net assets released from restrictions:			
Hurricane response and recovery	368,330	(368,330)	
Diocesan services	<u>70,658</u>	<u>(70,658)</u>	
Total	<u>11,048,419</u>	<u>331,635</u>	<u>11,380,054</u>
EXPENSES:			
Program services:			
Diocesan services	6,678,552		6,678,552
Hurricane response and recovery	<u>368,166</u>		<u>368,166</u>
Total program services	7,046,718		7,046,718
Management and general	2,471,459		2,471,459
Unallocated payments for support of the National Episcopal Church and the Anglican Communion	<u>1,521,449</u>		<u>1,521,449</u>
Total expenses (Note 7)	<u>11,039,626</u>		<u>11,039,626</u>
CHANGES IN NET ASSETS	8,793	331,635	340,428
Net assets, beginning of year (Note 2)	<u>789,672</u>	<u>71,271</u>	<u>860,943</u>
Net assets, end of year	<u>\$ 798,465</u>	<u>\$ 402,906</u>	<u>\$ 1,201,371</u>

See accompanying notes to financial statements.

Episcopal Diocese of Texas**(An operating unit of the Protestant Episcopal Church in the Diocese of Texas)**Statement of Functional Expenses for the year ended December 31, 2018

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	TOTAL
Payroll and related benefits	\$ 4,134,868	\$ 1,446,838	\$ 5,581,706
Hurricane response and recovery	3,931,391		3,931,391
Conference venue and equipment rental	760,548		760,548
Business travel, meals and entertainment	589,855	45,230	635,085
Technology	292,644	96,325	388,969
Missions, ministry and evangelism	307,385		307,385
Occupancy	205,592	94,209	299,801
Financial services support provided by FSC		288,978	288,978
Conference food and beverage	271,792		271,792
Professional fees	106,328	156,102	262,430
Grants to Diocesan entities	240,000		240,000
Office supplies and expenses	164,189	62,412	226,601
Depreciation	111,892	23,244	135,136
Insurance	80,772	22,063	102,835
Other	<u>155,240</u>	<u>16,978</u>	<u>172,218</u>
Total expenses	<u>\$ 11,352,496</u>	<u>\$ 2,252,379</u>	13,604,875
Unallocated payments for support of the National Episcopal Church and the Anglican Communion			<u>1,627,162</u>
Total			<u>\$ 15,232,037</u>

See accompanying notes to financial statements.

Episcopal Diocese of Texas**(An operating unit of the Protestant Episcopal Church in the Diocese of Texas)**Statements of Cash Flows for the years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 554,620	\$ 340,428
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	135,136	157,912
Provision for uncollectible accounts	23,037	11,191
Changes in operating assets and liabilities:		
Assessments and other receivables	(768,007)	(371,567)
Prepaid expenses	(6,890)	(3,082)
Accounts payable and accrued expenses	281,708	(35,757)
Grants payable to related entities	109,808	
Due to Diocesan operating entities	(117,362)	179,419
Funds held for parishes and missions	(184,624)	194,977
Deferred revenue	<u>(38,750)</u>	<u>42,248</u>
Net cash provided (used) by operating activities	<u>(11,324)</u>	<u>515,769</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property	<u>(134,461)</u>	<u>(242,316)</u>
NET CHANGE IN CASH	(145,785)	273,453
Cash, beginning of year	<u>478,776</u>	<u>205,323</u>
Cash, end of year	<u>\$ 332,991</u>	<u>\$ 478,776</u>

See accompanying notes to financial statements.

Episcopal Diocese of Texas
(An operating unit of the Protestant Episcopal Church in the Diocese of Texas)

Notes to Financial Statements for the years ended December 31, 2018 and 2017

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Episcopal Diocese of Texas (EDOT) is an operating unit of the Protestant Episcopal Church in the Diocese of Texas (the Diocese). EDOT was organized in 1836 in the State of Texas, and is a constituent of the Protestant Episcopal Church of the United States of America. The Diocese is an ecclesiastical territory that extends from the Louisiana border to portions of central, eastern, and southeastern Texas. The authority of the Diocese is vested in the Bishop, the Council of the Episcopal Diocese of Texas and a standing committee. EDOT carries out the ministry of the Diocese and is supported primarily through assessments from parishes within the Diocese. EDOT functions in coordination with the operations of the Protestant Episcopal Church Council in the Diocese of Texas, which guarantees its outstanding liabilities and provides Diocesan operating facilities and other support.

In carrying out the ministry of the Diocese, EDOT hosts the annual council and clergy conferences, supports new church planting and missions and ministries of the Diocese, provides training for lay leaders who wish to become active leaders in the Episcopal Church, provides grants and other assistance to Diocesan operating entities, related Diocesan entities and others, and provides funding to the National Episcopal Church and the Anglican Communion.

Related entities – The Executive Board (the Board) of the Diocese is composed of the Bishop and fifteen members elected by the Council of the Episcopal Diocese of Texas. The Board is responsible for the governance of EDOT and pursuant to various Canons, the Board has certain oversight responsibilities relating to the affairs of the following related Diocesan operating entities:

- *EDOT Financial Services Corporation (FSC)* was created to provide human resource, accounting, financial, and investment management services support to the related Diocesan operating entities, as well as administering health benefits for clergy and certain lay employees throughout the Diocese.
- *Protestant Episcopal Church Council of the Diocese of Texas (Church Corporation)* receives, holds, manages, and administers funds and properties acquired by gift or purchase for the use and benefit of the Diocese and any Diocesan institution. Additionally, it may also receive, hold, and manage funds held for the use and benefit of any parish or mission in the Diocese.
- *The Great Commission Foundation (GCF)* was created in 2013 to support missionary and church planting strategies of the Diocese.
- *Episcopal Foundation of Texas (EFT)* was created to hold and administer certain assets for the purpose of providing grants and loans for religious, educational, and charitable purposes to designated Diocesan entities.
- *The Bishop Quin Foundation (BQ)* was created in 1943 to commemorate the 25th anniversary of the consecration of the Right Reverend Clinton S. Quin as Bishop. The broad objectives of BQ include such religious, charitable, and educational activities as determined by the Bishop and the Board of Trustees to be in furtherance of the spiritual and physical welfare of the Diocese.
- *The Episcopal Health Foundation (EHF)* was created in 2013 with proceeds from the transfer of the membership of the St. Luke's Episcopal Health System to an unrelated not-for-profit entity. The focus of EHF is to promote the health and well-being of the 10 million people in the 57 counties of the Episcopal Diocese of Texas.

EDOT routinely engages in transactions with related entities that are directly or indirectly governed by the Council of the Diocese. These entities include parishes, schools, missions, and other Diocesan entities.

Basis of presentation – These financial statements include only the assets, liabilities, net assets, and activities of EDOT. The accompanying financial statements do not include the assets, liabilities, net assets, and activities of the related Diocesan operating entities, parishes, missions, or other Diocesan entities. Each of these related entities is an operating entity distinct from EDOT, maintains separate financial records, and administers its own services and programs.

Cash concentration – Bank deposits exceed the federally insured limit per depositor per institution.

Federal income tax status – The Protestant Episcopal Church in the Diocese of Texas is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code as a religious organization and is classified as a public charity under §170(b)(1)(A)(i) under the group exemption of the Protestant Episcopal Church in the United States of America.

Allowances for uncollectible accounts are provided when it is believed they may not be collected in full. The amount of bad debt expense recognized each period and the resulting adequacy of the allowance at the end of each period are determined using a specific analysis of each receivable balance. The allowance for uncollectible accounts was approximately \$80,000 and \$105,000 at December 31, 2018 and 2017, respectively.

Property with a cost of \$500 or more and an estimated useful life of more than one year is capitalized and reported at cost, if purchased, and at fair value at the date of gift if donated. EDOT provides for depreciation using the straight-line method based upon estimated useful lives of 3 to 7 years.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both.

Diocesan assessments of parishes and missions – In order to provide funds for its operation, the Diocese levies assessments on its parishes and missions based on size of operating revenues and certain other factors. Revenue from these assessments is recognized in the period in which the assessments are levied.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support. Conditional contributions are recognized in the same manner when the conditions are substantially met.

Program fees are recognized as revenue when the services are provided. Fees paid in advance are reported as deferred revenue.

Donated materials, use of facilities and services are recognized at fair value as unrestricted contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A substantial number of volunteers have contributed significant amounts of time in connection with programs, administration and fundraising for which no amount has been recorded in the financial statements because the services did not meet the criteria for recognition under generally accepted accounting principles.

Functional allocation of expenses – Expenses are reported by their functional classification as program services or supporting activities. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Management and general activities are not directly identifiable with a specific program. Expenses that are attributable to one or more programs or supporting activities are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Depreciation and occupancy costs are allocated based on square footage. Information technology costs are allocated based on estimates of time and costs of specific technology utilized.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Recent financial accounting pronouncement – In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Under this ASU, a lessee should recognize in the statement of financial position a lease liability and a lease asset representing its right to use the underlying asset for the term of the lease for both finance and operating leases. An entity may make an accounting policy election not to recognize lease assets and lease liabilities for leases with a term of 12 months or less. Recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not changed significantly. Qualitative and quantitative disclosures are required by lessees and lessors to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The ASU is effective for fiscal periods beginning after December 15, 2019. Management has not yet determined the impact adoption of this ASU will have on the financial statements.

NOTE 2 – ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14

EDOT adopted the amendments of ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. These amendments have been applied on a retrospective basis to the financial statements for the year ended December 31, 2017, except that information regarding liquidity and availability of resources and presentation of expenses by both nature and function has been omitted as permitted by the ASU. Adoption of this ASU resulted in reclassification of previously reported activities and net assets to conform to the 2018 presentation but had no impact on total net assets or total changes in net assets for 2017.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of December 31, 2018 comprise the following:

Financial assets at December 31, 2018:

Cash	\$ 332,991
Assessments and other receivables, net	<u>1,851,932</u>
Total financial assets	2,184,923
Less financial assets not available for general expenditures in the coming year:	
Donor-restricted net assets subject to satisfaction of restrictions	(27,593)
Funds held for parishes and missions	<u>(66,266)</u>
Total financial assets available for general expenditure	<u>\$ 2,091,064</u>

For purposes of analyzing resources available to meet expenditures over a 12-month period, EDOT considers all expenditures related to its ongoing program activities, as well as the conduct of services undertaken to support those activities, as general expenditures.

EDOT is supported by assessments from related parishes and missions and by support from Diocesan operating entities. Assessments are approved annually by the Diocesan Council. EDOT monitors liquidity to meet its operating budget and other contractual commitments. In addition to financial assets available to meet general expenditures, EDOT maintains a \$1 million line of credit. EDOT operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not provided for by donor restricted resources. The spending level is established annually by the Executive Board.

NOTE 4 – PROPERTY

Property consists of the following:

	<u>2018</u>	<u>2017</u>
Furniture, fixtures and equipment	\$ 867,933	\$ 733,474
Vehicles	<u>244,632</u>	<u>244,632</u>
Total property, at cost	1,112,565	978,106
Accumulated depreciation	<u>(688,120)</u>	<u>(552,986)</u>
Property, net	<u>\$ 424,445</u>	<u>\$ 425,120</u>

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose:		
Natural disaster relief	\$ 845,315	\$ 185,774
Scholarships and missions	27,593	47,132
General convention	<u> </u>	<u>170,000</u>
Total net assets with donor restrictions	<u>\$ 872,908</u>	<u>\$ 402,906</u>

NOTE 6 – RETIREMENT PLANS

Clergy Plan

EDOT is a participating employer in pension plans sponsored and administered by The Church Pension Fund (the Fund). The Fund, a corporation chartered in 1914 by the Legislature of the State of New York, was established by the General Convention of the Episcopal Church. The Fund and its affiliates are official agencies of the Episcopal Church and operate under the Canons of the Episcopal Church.

The Clergy Pension Plan (the Clergy Plan) is a defined benefit plan providing retirement, death and disability benefits to eligible clergy of the Episcopal Church. The Clergy Plan (the Plan) is exempt from the federal income taxes and, as church plans are exempt from the Employee Retirement Income Security Act of 1974, the Plan is not subject to Pension Benefit Guaranty Corporation requirements.

The assets of the Plan are pooled along with other assets of the Fund solely for investment purposes for the benefit of all participants. The Fund may amend, terminate or modify the terms of the Plan, including the employer assessment rate, at any time, without notice and for any reason. Should the Plan terminate, the Fund has the authority to distribute assets in accordance with the terms of the respective Plan's documents.

All bishops, priests and deacons who are canonically resident in a domestic diocese of the Episcopal Church and who are not participating in the International Clergy Pension Plan must participate in the Clergy Plan if the cleric receives \$200 or more per month in compensation for three or more consecutive months from the same employer.

Participating employers pay assessments to the Plan on behalf of the eligible participants. Assessments for the Clergy Plan are equal to 18% of the applicable participants' compensation, which includes salaries, other cash compensation and the value of housing. Assessments fund benefits are provided by the Plan. Assessments are not held in individual accounts, but are invested in a general fund of pooled contributions for all employees participating in the Plan.

EDOT recognizes its assessments in the period that the related services are provided by the clergy. During 2018 and 2017, EDOT recognized assessments to the Plan totaling approximately \$406,000 and \$290,000, respectively.

The funding positions of the Plan as of March 31, 2018 and 2017 as reported in the Fund's latest audited financial statements are summarized below.

	<u>2018</u>	<u>2017</u>
Net assets available for pension benefits – after amount designated for assessment deficiencies	\$ 9,918,224,000	\$ 9,287,173,000
Less: Actuarial present value of accumulated plan benefit obligations	<u>(6,517,324,000)</u>	<u>(6,502,134,000)</u>
Surplus	<u>\$ 3,400,900,000</u>	<u>\$ 2,785,039,000</u>
Funding percentage	152%	143%

Non-clergy employees

EDOT sponsors a defined contribution benefit plan for non-clergy employees, which is qualified under §403(b) of the Internal Revenue Code. EDOT makes contributions based on employees' annual compensation. EDOT contributed approximately \$203,000 and \$270,000 to this plan in 2018 and 2017, respectively.

NOTE 7 – RELATED ENTITY TRANSACTIONS

EDOT provides support to parishes, schools, missions, and other Diocesan entities. During 2018 and 2017, EDOT expended approximately \$3,794,000 and \$453,000, respectively, in support of parishes, schools, and missions. Additionally, EDOT uses Camp Allen Camp and Conference Center (Camp Allen) facilities for meetings and conferences and recognized expenses for use of those facilities totaling approximately \$415,000 and \$365,000 during 2018 and 2017, respectively. EDOT recognized expenses provided by FSC for administrative support totaling approximately \$289,000 and \$331,000 during 2018 and 2017, respectively, and for clergy health costs totaling approximately \$240,000 and \$50,000 for 2018 and 2017, respectively. EDOT paid EFT \$60,000 for rent expense in 2018 and 2017. These amounts are included in expenses in these financial statements.

NOTE 8 – COMMITMENTS

Leases with related entities

EDOT leases office space and office equipment under noncancelable operating leases. The office space for the Austin Diocesan offices is leased from EFT through May 31, 2029, at a rate of approximately \$60,000 per year. The office space for the Tyler Diocesan offices is leased from Church Corporation through April 30, 2026, at a rate of approximately \$22,200 per year. Future minimum lease payments at December 31, 2018 are as follows:

2019	\$ 150,000
2020	117,000
2021	96,000
2022	96,000
2023	96,000
Thereafter	<u>413,000</u>
Total minimum lease payments	<u>\$ 968,000</u>

Rental expense for 2018 and 2017 was approximately \$150,000.

Line of credit

EDOT has a \$1 million line of credit with a bank with an interest rate of prime less 0.75% (4.75% at December 31, 2018) and a 2.8% floor, expiring in October 2019. The line of credit is guaranteed by Church Corporation. There were no amounts outstanding under this agreement at December 31, 2018 or 2017.

Hurricane disaster conditional grants

During December 2017, EHF, GCF, EFT and BQ conditionally committed up to \$5.5 million to EDOT for Hurricane Harvey response and recovery initiatives. As of December 31, 2018, \$3,400,000 has been funded and recognized as contribution revenue. It is expected that as EDOT identifies and approves claims of support for churches and schools, the conditions of the grant will be met.

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 28, 2019, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

Linda Riley Mitchell, CFO

HEALTH INSURANCE

The Diocese of Texas purchases its health insurance coverage through the group medical plans offered by the Episcopal Church Medical Trust. (An affiliate of the Church Pension Fund) These plans cover all eligible active clergy, retired clergy, surviving clergy spouses, diocesan lay employees and the eligible dependents of each of these groups.

To active participants the Diocese currently offers ten Medical Trust Plans:

1. Cigna Consumer Directed Health Plan CDHP-20
2. Anthem Blue Cross Blue Shield Consumer Directed Health Plan CDHP-20
3. Cigna Consumer Directed Health Plan CDHP-40
4. Anthem Blue Cross Blue Shield Consumer Directed Health Plan CDHP-40
5. Cigna Open Access Plus PPO 90
6. Cigna Open Access Plus PPO 80
7. Cigna Open Access Plus PPO 70
8. Anthem BCBS BlueCard PPO 90
9. Anthem BCBS BlueCard PPO 80
10. Anthem BCBS BlueCard PPO 70

Retired clergy and their surviving spouses on Medicare continue to be covered by Supplements to Medicare Part A and Part B that are offered by the Episcopal Church Medical Trust and the Diocese. In addition to an Employee Assistance Program (EAP) available to Clergy, Lay employees and dependents enrolled in medical coverage, the Diocese also provides a stand-alone EAP that offers amongst other benefits, a Behavioral Health benefit, which is available to all covered clergy and lay employees.

Overall, the cost of health insurance for active diocesan clergy increase by 3.95% in 2020. Parishes and institutions health insurance cost will rise by 7.07% for 2020. This increase is less than the average for premium increases across the United States. Our Insurance Task Force held a meeting on September 18, 2019, to look at these changes in more detail and will make recommendations to the Executive Board prior to year-end. As a reminder, in September 2013 the Executive Board voted that all clergy joining the Diocese after December 31, 2014, would receive only single coverage for themselves. By terminating family coverage for those clergy hired after January 1, 2015, the Diocese has now fully implemented parity between clergy and lay health insurance coverage.

As in past years, the Diocese will be provided with \$5 million in 2020 to offset its health care costs through the generosity of the Episcopal Health Foundation. These funds will allow the Executive Board to continue the significantly reduced insurance assessment on the parishes.

Please call or email Zee Turnbull, Human Resources/Benefits Administrator, at 713-353-2120 or 800-318-4452, ext. 2120, zturnbull@epicenter.org for further information regarding health insurance.

Linda Riley Mitchell, CFO

CLERGY LIFE INSURANCE

Effective January 1, 2018, the Church Pension Fund increased the life insurance coverage available to clergy and began providing up to \$150,000 in life insurance for all eligible, active clergy. This increased benefit generates imputed taxable income to the clergy-person under the Internal Revenue Code. **CPF provides a calculation of this imputed income annually to the Diocese.** Churches will need to include this amount on the clergy person's W-2 each year.

Retired clergy or clergy person with 25 years of credited service will continue to receive \$50,000 of life insurance for retiree life insurance. We emphasize how **extremely important** it is that pension assessments be paid currently for all active clergy. Failure to do so by their parishes could result in the loss of this important life insurance benefit to the clergy. If the pension assessments for a priest are in arrears by more than twelve months and the priest should die, life insurance benefit will not be paid.

Since 2002, Supplemental Life Insurance has been offered to all active clergy and lay employees under the age of 65. This plan offers the option to purchase Supplemental Term Life Insurance for the eligible clergy person or lay employee up to three times the life insurance benefit the Diocese provides. Or, they may purchase in increments of \$50,000 to a maximum of \$500,000 of coverage. Spousal coverage is based on the same calculation; however, it is limited to a maximum coverage of \$240,000. Clergy and lay employees will be responsible for the premiums and may apply at the date of hire. Premiums are based upon age and change in five-year increments. The supplemental term life insurance will be automatically reduced by 50% at age 65 and terminates at age 70.

For more information, please call or email Zee Turnbull, Human Resources/Benefits Administrator at the Diocesan Center at 713-353-2120 or 800-318-4452, extension 1012, zturnbull@epicenter.org.

Linda Riley Mitchell, CFO

PENSIONS

Pensions are provided to the clergy through participation in the Church Pension Fund. This is funded by monthly contributions based on the compensation of clergy in each parish. Parishes are responsible for making monthly contributions. The clergy should also review their reports from the Pension Fund to assure the accuracy and timeliness of the amounts remitted to the Church Pension Fund. Delay in reporting changes results in retroactive adjustments, which are difficult to manage. In addition, adjustments can only be made for the previous two years, so failure to report adjustments could result in lower pension bases and therefore reduced pensions at retirement.

The Pension Fund's total net assets for the year ended March 31, 2019, were over \$13.55 billion representing an increase from \$13.31 billion as compared to March 31, 2018. These assets are still in excess of the required reserves by over \$1.40 billion. The Fund investments have a moderate return during this fiscal year. The Pension Fund paid out a total of \$400 million in pensions and other benefits during fiscal 2017.

The following table delineates the beneficiaries receiving benefits in each of the two fiscal years, each ending March 31:

<u>Beneficiaries</u>	<u>2019</u>	<u>2018</u>
Retired Clergy		
Normal Retirement	4171	4,130
Early Retirement	3,646	3,577
Disability Retirement	418	433
Surviving Spouses	<u>2,723</u>	<u>2,740</u>
TOTAL	10,958	8,140

As the number of retirees increases in every diocese, the Church Pension Fund, through its ministry to the retired, is available to assist chaplains designated by our bishop in the ministry established in our diocese. Through personal contact and educational services, they are willing to assist the chaplains in interpreting pension benefits as well as introduce proven programs for ministry to and with the retired. The Church Pension Fund, in conjunction with the Diocese, provides training to enhance the pastoral ministry of these chaplains. The Church Pension Fund's Department of Pastoral Care and Education continues to offer Planning for Tomorrow Conferences, presented in each diocese every five years.

Church treasurers should be aware that 30% of the clergy's compensation is the annual housing factor to be used when computing the pension base for a clergy person who lives in a home owned by the church. Amounts reimbursed to clergy for payment of their self-employment social security also form part of the pension base along with salary, housing and utility allowances. Forms for calculation of clergy pension are available on the Diocesan website.

Church treasurers should promptly notify the Church Pension Fund office of all changes in compensation paid to their clergy staff. Monthly Pension assessment statements are issued by the Church Pension Fund and are based upon information on file. For questions or information, contact the Church Pension Group is 866-802-6333 or Zee Turnbull at 713-353-2120 or zturnbull@epicenter.org.

Linda Riley Mitchell, CFO

PROPERTY INSURANCE

Nearly all congregations within the Diocese hold property and casualty, and personal property insurance with the Church Insurance Company of Vermont and their product partners. Parishes, missions and entities within the Diocese are free to insure their property with any reputable company of their choice, so long as the coverages afforded are in accordance with Title II, Canon 5.2. This Canon requires that the coverages afforded under policies purchased from outside sources be comparable to those from the Church Insurance Company in the Diocesan master policy. Many commercial carriers will not write sexual misconduct insurance for churches and this coverage is required by the Diocese.

It is recommended to perform an annual review of your insurance coverage for general liability, sexual misconduct, non-owned auto, worker's compensation, director's and officer's liability and umbrella liability provisions.

Note that, flood coverage at Church Insurance is a \$1,000,000 maximum limit, which is the minimum coverage to carry for flood. A Blanket Crime provision covers theft within churches with a \$25,000 limit. (Additional coverage is available at the church's expense.) Specific entities may find that they require other more expanded coverages to protect fine art, stained glass,

vestments or other valuable church property. Church Insurance protects their insureds with all these coverages through the Diocesan master policy. They are also available to assist in reviewing coverage.

Church Insurance Agency has obtained product partners to provide quality coverage in several areas at a more affordable rate; such as director's and officer's and umbrella liabilities and this coverage is recommended by the Diocese.

For information and assistance with insurance through the Church Insurance Company, please contact our agent Mr. John Scheffler, Vice President of Client Services, at 972-355-0927 or via email to JScheffler@cpq.org or Jonathan Blaker, Director of Treasury at the Diocesan office at 713-353-2134 or jblaker@epicenter.org.

Linda Riley Mitchell, CFO

COMMITTEES AND BOARDS CREATED BY CANON

AUSTIN CONVOCATION

2019 saw a good deal of transition in the Austin Area Deanery, with leadership transition at Good Shepard, All Saints, St. Matthew's, St. James', St. John's, and the reception of our new area bishop! It has been a wonderful year of fellowship and formation, in which we heard lectures on Lenten fasting from an Antiochian Orthodox priest, the Jewish roots of Pentecost from a rabbi, starting a food pantry from a pantry impresario, as well as talks from our colleagues, our seminary faculty and Bishop Ryan. In 2020 we look forward to welcoming new clergy to our area and continuing our fellowship of mutual prayer and Christian formation.

Bertie Pearson, Dean

CENTRAL CONVOCATION

The Central Convocation experienced some transitions in clergy leadership during 2019. The Rev. Rhonda Rogers joined the convocation as deacon-in-charge of Saint Francis of Assisi, Prairie View. Saint Martin's in Houston called the Rev. Lisa Neilson from her work at Texas A&M/Blinn Canterbury to serve on the staff there. The Rev. Rich Nelson is now serving as the Interim Campus Missioner there. The Rev. Becky Watts joined the convocation as the curate at Saint Thomas', College Station. Calvary, Bastrop called the Rev. Matt Stone to serve as their new rector. Fr. Matt served as the curate at Saint Andrew's.

Saint Andrew's, Bryan continues to minister from its location in historic downtown Bryan. The Director of Music, Dr. Alan Strong, retired after serving the church for 27 years. After a lengthy search Dr. Linda Patterson was called to serve as the new Director of Music. During the fall of 2019 the congregation worked on developing facilities master plan with Heimsath Architects.

At Saint Francis of Assisi, Prairie View students from Prairie View University attended Collegiate Night Out, and meet regularly for a meal, fellowship, and bible study.

The men of St. Francis host the Men's Prayer Breakfast each month. The meetings feature a speaker which have included U. S. District Judge Alfred H. Bennett and others. The Saint Francis ECW held a Breast Cancer Awareness Tea in October. The discussion highlighted the importance of monthly self-exams and annual screening. Survivors shared stories about their recovery and their reliance on faith and prayer throughout the process.

Saint Peter's, Brenham, under the leadership of the Rev. Stephen Whaley, continues to serve Christ in Washington County. The parish has various food initiatives which feed hundreds of local citizens, and provides support for local reading programs and after school programs for children. Faithful to the Anglican tradition of worship and adherence to Episcopal identity makes St. Peter's distinct in a wider community of modern worship trends.

Saint Philip's in Hearne, led by the Rev. Nandra Perry, continues to offer the Texas Rural Leadership Program for citizens in the community. The program is in its third year and one of the outcomes of the program was the development of an annual community festival.

Daryl T. Hay, Dean

EAST HARRIS CONVOCATION

In 2019, the clergy of the East Harris Convocation gathered on the fourth Thursday of each month at St. James, Houston. During our monthly meetings, we dedicated the two hours to sharing and checking in. Through this process, we have benefited greatly from the connection, support, and insight of all the members of our group. In July, our facilitator Sharron Carrol moved to Californian. In September, we welcomed a new facilitator, Stephanie Jordan. Also, in September, we welcomed as part of our group the Rev. Charles Graves, the Campus Missioner for Houston Canterbury, and the Rev. Sarah Condon, Campus Missioner at Rice University.

In preparation for council, Saint James' hosted the East Harris meeting in January. In attendance at the meeting were the three candidates for the suffragan bishop's election – the Rev. Kathryn M. Ryan, the Rev. Glenice Como, and the Rev. Hannah E. Atkins Romero.

Victor J. Thomas, Dean

GALVESTON CONVOCATION

The Galveston Convocation saw some clergy changes in 2019. The Rev. Nick Earl and the Rev. Suzanne Smith were ordained at Grace, Galveston and Grace, Alvin respectively. Both currently serve as Priest-in-Charge of their respective parishes. The Rev. Rick Benson, who serve the diocese for decades, died this year. The Rt. Rev. Kai Ryan lead his Burial service at Grace, Alvin, where he had recently served as mentor for the deacon Suzanne Smith. Rick had served at Grace in Galveston as well. The Rev. Mike Brady took over as Deacon-in-Charge or St. Augustine's in Galveston.

St Thomas the Apostle Episcopal Church and School in Nassau Bay welcomes all to join us as we worship, learn, and serve in Christ to glorify God. In 2019, our worship

added a mid-weekly healing Eucharist and morning Prayer, the celebration of 2 ordinations to the priesthood, and 12 children preparing for their first solemn communion. In addition to weekly Bible study through the DISCIPLE curriculum, St Thomas has cultivated learning through an active EFM chapter and the even the creation of a “fifth” year program for graduates, a marriage workshop, parenting and grand-parenting classes, book reviews,¹ and is looking to expand into middle grades education within the next two years. St Thomas chartered the first area girls scouting troop BSA and has seen rapid growth of Cub Scout pack 1965 from 23 to 80+ families. St Thomas has remained a faithful partner to the Interfaith Caring Ministries food pantry through weekly donations; to Communities in Schools at McWhirter Elementary, a local Title 1 school, through 160 backpacks filled with requisite school supplies and new shoes, adopt-a-child Christmas ministry, Thanksgiving food bags, Valentines day test relief, and consistent tutoring; a sponsoring parish to Lord of the Streets through funding, serving breakfast, pulpit swap, and a sock and underwear drive; and through the Nearly New Thrift Shop, which distributed more than \$16,000 to local ministries. St Thomas continues to be an open and inclusive parish and is known throughout the community for generosity of space, including hosting the DAR, Ainsley’s Angles evening 5k for disabled racers, and the Houston Symphony League Bay Area, pastoral ministry, celebrating more funerals and weddings for non-members than for members, and for receiving a first time visitor in worship every single Sunday in the past year. One year into a \$920,000 capital funds drive, St Thomas has applied \$290,000 towards a construction debt from 2012 and is preparing to renovate the sanctuary and begin the installation process for a nearly 4,000 pipe historical organ. We are doing more together in mission and ministry!

St. George’s Texas City

In 2018/2019, we aimed to walk in the way of love. This has helped us to reflect on the many blessings we have from God and seek to share with others as together we build up the Kingdom of God and seek to be a light on the Hill.

St. George’s has been Blessed by God and in return has sought to not only Worshiping God weekly 8 and 10:30 on Sundays and on Tuesdays at 9:45 as we pray and proclaim the Good News of God for our members, friends, city and the restoration and revival of our faith and the world. We teach prayer and study of the world using Lectio Divina. We have blessed others by sharing our space with Church Planters, a caterer, HOPE Homeschool Group and held baby showers, birthday parties, bridal showers and two weddings with receptions. We have had four burial services and receptions in which we celebrated our beloved members homecoming. We have celebrated major feast days with dramatic interpretations of the word: Lessons & Carols with a Bonfire to follow at Epiphany, Shrove Tuesday teaching our Boy Scouts how to serve, Lenten Series with the Living Compass, Palm Sunday with the whole congregation engaging in the pageantry of the word, Holy Week with services on Maundy Thursday and Stations of the Cross on Good Friday. Easter Sunday we were blessed to have the Covenant Players do a dramatic presentation of the good news in our services followed by a fun luncheon and egg hunt.

Through our ministries, St. George's in Texas City has continued to bless families in our membership and the wider community in helping them to be well no matter the stage they

are in life. These ministries include the monthly crafting and cooking class for kids and their adults on 2nd Saturdays, a garden club for elementary and homeschool kids, as well as, community wide events like our Hope Festival which funds our ministries and the Long Term Recovery Work from Harvey, and our annual Fish Fry. We have blessed numerous homes, pets, businesses, motorcycles, missionaries and been a part of spreading Hope at the Christmas parade sharing lifesavers and hope bracelets. We have declared Hope for the future of our youth and their families in our city by praying the first day of school over each school and posting a sign of Hope. We declared Hope over all of our athletes in the High School and Junior High at a pep rally as part of our High Hopes Fall Campaign. Members serve each week sorting food at the Galveston County Food Bank and the making “plan” for recycling grocery bags to create mats for the homeless in our community. We also have created blessing bags to share with those we meet whom are homeless. Six teams have formed from our membership lead by our vestry to discover the Good News in the Word and then present it to the rest of our congregation in some creative format as part of our Stewardship season. We have meet with area churches as part of the Diocesan Stewardship Cohort and been richly blessed.

St. George’s created a HOPE Community Center to impact the wellness of our members and the wider community. We provide classes like a grief class, a Mind Body Medicine class for learning to de-stress. We also provide other community events like funeral receptions or repass for people using a funeral home for their service. We have hosted a number of prayer gatherings for area clergy to help them unite in prayer from a breakfast focused on resourcing needed for Galveston County Long Term Recovery Group to serve those still recovering from Hurricane Harvey needs, to a Fun Ecumenical Pop Up Prayer and Praise event prior to the Christmas Parade, to Breakfast about how we might map our most vulnerable members and citizens with the Emergency Management Manager of the County. We partnered with 14 other area churches for Servolution, in which we all left our buildings for one Sunday and went out into the community to serve others at 12 sites across several cities. The day culminated with lunch at St. George’s and demonstrations from 4B Disaster Recovery Group on skills building for repairing homes. We continue to show up for clergy breakfasts with local police and clergy of West Texas City and LaMarque and do prayer walks with other diverse leaders to demonstrate our unity to the wider community. **The**

St. Andrew’s in Pearland prepared through field work 2 seminarians, Chris Weis and Marcia Sadberry, for ordination to the Priesthood. In addition, Joseph Yoo join St. Andrew’s as the church planter for Mosaic Episcopal Church in west Pearland. Mosaic has been a 5 year outreach experiment of St. Andrew’s that will now continue as a church (starting as an Episcopal Fellowship.) Joseph came to the Diocese from the Methodist Church where he was a pastor. Deacon Mary Reddick and Father Mike Gemignani continue to serve on staff.

Mosaic also launched a separate 501c3, Mosaic in Action that has continued to repair homes in the wake of Hurricane Harvey even as other nonprofits have shut down. Mosaic in Action currently has a staff, both paid and volunteer of 4 full time and 3 part time employees. The Storm Recovery effort is headed by Debbie Allensworth, Executive

Director (and also Community Pastor for St. Andrew's) and has a budget for 2019 and 2020 of over \$500,000 each year. Funding comes from Episcopal Relief and Development, grants and donations of individuals. The Rev. Jim Liberatore serves as Mosaic in Action's President. Over 250 homeowners have been assisted in returning to safe, sanitary and secure homes. Thus far, St. Andrew's and Mosaic in Action have hosted 4 AmeriCorps NCCC teams in the recovery effort. St. Andrew's Senior Associate and Community Pastor, Debbie Allensworth, is the Executive Director of Mosaic in Action Storm Recovery.

St. Andrew's has developed an LGBTQ missional community on the west side of Pearland. The church continues in its 20th year for partnering with Title 1 Lawhon Elementary School in feeding children on weekends, host an Egg Hunt for 500+, providing refreshments for testing days, and offering a luncheon of thanks for the teachers. The Pearland Chamber of Commerce and Sewa International Both recognized the work of St. Andrew's in the community this year.

St. Andrew's host Camp Noah for children affected by disaster (Hurricane Harvey.) We also hosted Missionpalooza and Episcopal Strong Youth Mission Trips who helped with Hurricane Harvey Rebuild. 50 of our own youth went to Ohio to repair homes.

Grace - Alvin:

--On Pentecost Sunday, we instituted the "Liturgy of Belonging". We celebrated 24 new families who found their way to Grace (37 people) who now call Grace home in 2019.

--In September we had our annual Don's Fish Fry which brought about 350 folks onto the grounds of Grace. Just about every member of the church volunteered in some capacity to make this happen! Tremendous outreach by Grace to the city of Alvin.

--Grace also added an Outreach Ministry Coordinator in September to help with Outreach in the Alvin community.

--In October we had our Fall Pumpkin Patch. Three Saturday's in October we had a different activity in the patch:

1. pet blessing
2. children's carnival
3. community wide pumpkin unloading...including Alvin ISD's baseball, football and basketball teams

--In November (the 17th) Bishop Monterroso will make his Bishop visit to Grace. We will celebrate 15 confirmations and receptions!

--We have a Blessing Box outside of the church where it is stocked with food given by members of the church and community for those who need assistance with food. People come by foot, bike and car to "take what they need or leave what they can".

--It's exciting to see daily resurrection happening at Grace. Lives are being changed and it's a pleasure to help discern the gifts people have and then connect them to the Church. Our altar guild has increased in numbers, as well as our children's and youth program. We have bolstered our volunteer presence in the office in that every day of the week, a church member is volunteering to help run the office.

St. John's Episcopal Church, La Porte (meets with Galveston Convocation)

Worship, Missional Worship, Worship Attendance

The liturgical team seeks to make worship exciting and variable, while maintaining adherence to the canons and consensual sources. This leaves much room, however, for creativity, special interests, remembrances, and varying occasions of worship. The year past held no exceptions to the fullness of our worship. The following includes highlights of the liturgical year in review.

- The addition of a service of anointing once monthly, a commissioned intercessor, and opportunities for prayers for healing offered at the chancel step following Communion
- Introduction of evening e-prayer, via Zoom, tested in the late season after Pentecost and followed by Saturday morning e-prayer during Advent. *Note: these occasions saw minimal participation, largely by a handful of persons signing on in support of the rector's efforts, and thus were not continued in 2019*
- Missional House Church continued, moving from twice monthly (early 2018) to monthly (late 2018). *Note: "House Church" was well-attended, but only once succeeded in inviting a neighbor, and this person from another congregation. Parishioners enjoyed this service greatly, but its intent was not fulfilled, and factoring as another service for which to prepare, and in that it seemed to deplete Sunday attendance, by the end of 2018, St. John's missional church effort was abandoned. Attendees/participants reported having invited community members and friends, but all these were either churched, or did not wish to be part of an alternative worship group.*
- January 20, St. John's attempted a Sunday afternoon, outdoor folk event, "Mass in the Grass," followed by a picnic luncheon. Ultimately, high winds and cold temperatures drove the event into the parish hall. Otherwise, it was heartily and joyfully attended by approximately half the usual Sunday worshipers, but otherwise it depleted attendance and was not repeated.
- This year, St. John's trained and integrated two special needs young adults into the service personnel, providing accompaniment, and special training and accommodations so that each might serve in some of the duties of first acolyte.

Special liturgies and remembrances included:

- St. Francis Day Pet Blessing followed by a community-wide service for the loss of beloved pets, and the dedication (by use) of St. John's [new] Genesis Garden: A Resting Place for All God's Creatures. During this service, 8 animals' ashes were interred and more than 20 remembered through the placement of memorial plaques. This service was robustly attended by parishioners and non-parishioners of varying faith groups.
- Saturday evening *Services of Growing Light* throughout Advent. *Note: Only the first two of these received attendance and will not be repeated in 2019.*

- All Saints Sunday included a remembrances, through photos and mementos, of those whom we love and see no longer. This annual happening is dear to the people of St. John's and so, has become a fixed event on the liturgical calendar.
- Christmas Eve and Day services (three) were offered as in past years. The candlelight Eve services included full choir and instruments. The earlier service, one expressly for families, included a pageant. Attendance on Christmas Day nearly doubled, where the Eve saw reduced attendance, particularly in the later service. *Note: Due of the age of the choir on average, infirmity and deaths, and the inability of a number to drive after dark, along with the inability to recruit sufficient service personnel without requiring many to repeat their ministries across 2+ services, the rector will recommend to the vestry that until St. John's sees sufficient regrowth the later Eve service, becoming unsupportable for various reasons, be discontinued beginning 2019. While Christmas is an occasion for evangelization, since 2015, St. John's has seen only one new member as a result of Christmas services, and none due to the late service. Easter Services have been by far more successful in terms of attracting new communicants. **
- The Sunday of the Epiphany was marked by a pageant presented by After School Program students, who offered a play written by a parishioner and highlighting the less-often heard story of Anna and Simeon. This dramaturgy-musical conveyed the importance of prophecy and proclamation in inviting and welcoming the Light of the World. For the second year in a row, however, few of the children's families attended, most dropping off their children and some even remaining outside, waiting upon the text notification that their children finished the "performance." The entire assembly of ASP students departed after the play, which followed the sermon. This caused widespread disappointment and one acolyte to burst into tears, such was the community's assumption that the children would remain and worship with us. *NOTE: In 2020, instead of inviting these families to join "us," we will invite the children to participate in the full design of a service, with roles in song and readings from beginning to end. We will also move the service out of the worship space into a more familiar "community" location on campus. January 12, therefore, the Rite I will be the principal worship of the Church, according to the BCP, and this alternative service will belong more fully to our neighbors. It is our hope that this more open space will invite greater comfort and desire to remain also for a big tamale feast to follow in the same space.*
- "Mini-Evening Prayer" events were held in association with the Lenten Soup Suppers. These abbreviated prayer services were offered in the chapel located in the same building as the suppers. The hope was to inspire greater participation in worship prior to the Supper and education. These were attended so sparsely that the rector moved the worship into the dining area. *NOTE: In 2019, Evening Prayer instead will be incorporated into the Soup Suppers.*
- Ash Wednesday liturgies included noon distribution of ashes, followed by 7pm Eucharist and individual sacramental occasions of Reconciliation of a Penitent. Attendance at noon was as in years prior. The evening liturgy was more sparsely attended.
- Holy Week included Monday and Tuesday Evening Prayer, Rite I and Rite II, respectively. These were lightly, but eagerly, attended. Wednesday evening

Stations of the Cross attracted a relatively robust attendance. Maundy Thursday foot washing attendance, despite efforts to increase the beauty and meaning, and prefacing with education, continues to decrease. The offering that appreciated an increased participation was an overnight prayer vigil in the nave. Like Maundy Thursday, we have seen diminishing attendance on Good Friday, even from the general community and commuters. This past season we abbreviated the noon service as an assistance to workers and eliminated the experimental *Services of the Hours* (2016-2017), held at 1, 2 and 3 pm, intended to provide more/flexible opportunity for worship. We moved the longer service, with Distribution from the Reserve Sacrament, to 7pm. This did not improve attendance. What was remarkable, however, was the relatively large percentage of persons who remained after the 7pm service for an experience of the Anglican Rosary. *This will be repeated; St. John's has proven over time that it appreciates this prayer tool.*

- For a third year, St. John's incorporated Holy Saturday Stations of the Cross into an egg hunt for the After School Program students and community. This was, again, relatively well-attended, with more than 40 children receiving an outdoor and "moving" experience of the Passion of Jesus.
- For the second year, Easter Vigil, because of scant past attendance, and inability to recruit and train available service personnel, was unsupportable at St. John's and was not held. **Yet, St. John's attracted more than 46 visitors, more than 20 of whom became new members/active attenders, during the Lenten season and through Holy Week/Easter services. This is heartening.*
- Easter Sunday services were somewhat less well-attended. The day was mighty with worship and bell ringing, loud *Alleluias* and plenty of visiting children and families. It has become clear, however, over the past four years, that the Rite I attenders will no longer remain to be photographed between services, and the Rite II attenders will no longer arrive early to be photographed. Additionally, it is hard for older parishioners to stand outside for the all-parish photo. Therefore, in 2019, the parish broke with a long-standing tradition of a combined photo, which was no longer capturing the full Easter attendance. Instead, two photos were taken inside the nave, one immediately after each service, and these framed separately. *This is likely to remain the practice, necessarily, though it does convey an artificial disunity.*
- The Day of Pentecost was celebrated with much flourish, flying colors in the nave, and interactive aspects of the liturgy. Services were followed, as always, by fellowship—on feast days, thematically. In this parish, on this day, all new lay ministers are commissioned, and lay ministers are re-commissioned, as an assembly. This year, the commissioning was accompanied by a blessing of the feet, symbolizing our preparedness to take the gospel into the mission field.
- Other services with associated fellowship events (such as a Labor Day Love Feast): Graduation Sunday, Backpack Sunday, Veterans and Memorial Days recognitions of military and first responders, commemorations and gifts on Mother's and Father's Days, Recovery Sunday, Breast Cancer Awareness Sunday, and St. Nicholas Visitation. These Sundays are always more lightly attended because the service may be a bit longer due to a special recognition, blessing, or presentation. Otherwise, these events draw in those who are honored,

often together with family and friends. These services also invite the benefits of pastoral care and community building. *NOTE: Further discernment is necessary. It is likely that the current, longtime members of the parish would like a succinct and less augmented liturgy, with earlier release, whereas newer/younger members and newcomers are fed pastorally and spiritually by the excitement and extraordinary offerings, which are the creative pleasure of the priest. This dichotomy has created a slight movement of regular Rite II attenders into the Rite I, not due to the language and theology of the Rite, but as a matter of efficiency. Thus, Rite I has held steady in attendance, despite deaths and moves, and Rite II has decreased in attendance, overall.*

➔ It should be noted that the depletions in attendance, particularly on holy days and in seasons critical to the life and story of the Church, persist irrespective of education, messages, invitations and reminders, and additional teaching and announcements in worship and through sermons. What leadership does notice, as a community, is that joy and fullness of engagement remain unabated, and in fact are increasing in those who do attend. This is also heartening, amid the losses. What has become a hardship in terms of supporting key liturgies and the fullest experiences of the traditions of the Church is the depletions in service personnel, the limiting infirmities that interrupt the services of the willing, the lack of youth and reticence on the parts of those in the pew. Unfortunately, service is sometimes seen as limiting spontaneous decisions to attend worship, or not. Others are concerned that they are not consistently well enough to commit to liturgical ministries. Of course, it is possible to carry out the liturgy with as little as one lay assistant, well-trained, but this visual had been so discouraging that those who do serve have signed on for multiple occasions of service, to include both services on a given Sunday. This is a conundrum, in that it only further exhausts those who support the liturgy. Overall, the rector expects to report an ASA of approximately 15 persons fewer than reported in 2018. This is in direct keeping with the number of deaths, moves of households into assisted living or other distant retirement arrangements, and the irregular attendance of new members and “active” attenders (approximately once monthly). Evening Prayer had already been discontinued as unsupportable, and special evening events and e-prayer, as noted above, did not markedly improve participation in the Office.

Sacraments and Sacramental Life

- There were infant and child baptisms, in some combination, at every occasion upon which the Church sets aside a date for this sacrament. None of these families, however, despite invitation and later connection, followed through upon engagement and continuing worship with the parish. Yet, we rejoice, of course.
- There were several funerals this past year, significant losses of long-time, beloved, dedicated saints. Grief remains widespread, as are the practical effects in attendance, ministry participation, and giving.
- Very much celebrated was a 50th anniversary renewal of vows, much anticipated by the parishioners, now both ill and exemplary caretakers for one another.

- There were no candidates for confirmation in 2018-2019, and for this and reason of recent episcopal visitation, the 2019 visitation was deferred. In 2020, however, we expect a minimum of 7 confirmations and a maximum of 11. Seven have discerned, yes, including 4 youth, 2 of whom are new to the parish. We have received a Word of hope given these prospects.
- Due to the number of infants and toddlers, increased from one to four in number, and these being able to receive, we have added distribution of Communion in the nursery.

Newcomers

As noted, St. John's experienced an unusually high amount of "foot traffic" during 2019. Visitors quadrupling the number in 2018 were well-appreciated by a congregation that is most excellent in welcoming, integrating, and accompanying in all things, from worship to ministry and fellowship. This is a charism in our parish. Twenty-three of the 46 visitors since February 1, 2019 remained as active attenders or transferred members. Their attendance, however, is irregular and their general desires to be incorporated not high, or stated to be high and then, not actuated.

St. John's staff, together with a small number of greeters, upon a ministry assessment, fulfilled more than 95% of the action items recommended through *Invitation, Welcome, Connection* (assessed using IWC online worksheets). Yet, most (not all) of these new parish family members repeatedly decline fellowship opportunities, invitations to shared meals with other parishioners, and invitations to special events or Christian Education. When they agree, they have been unreliable in attending. For example, recognizing the increase in newcomers, the leadership team established a designated Sunday in June as set aside to welcome and bless newcomers. The vestry planned and ice cream bar to follow the liturgy, at which the vestry members would serve, and newcomers would be celebrated. Each newcomer received a formal invitation card by mail. On the day of the event, only 17 of 46 were in worship. Two of these came to the parish hall afterwards to be served ice cream.

The trends detailed here and above, are discouraging and the efforts exhausting for all, and make it quite difficult for the rector to illustrate and create occasions for hope and excitement. Yet, we persist, and if there is follow through, St. John's will celebrate the largest number of confirmations and receptions it has seen in a decade.

Guest Preachers

The Rev. Stacy Stringer, Diocesan Disaster Recovery; The Rev. Deb Grant (ELCA) due to special need during Diocesan Council and with the permission of [then] Canon Ryan; VTS Seminarian, Clint Brown; SSW Seminarian [rising], Katie Gould; The Rev. Jenny Scott, Memorial Day weekend supply; The Reverend Monica Carlson, Trinity Sunday (visiting friend of the rector; Rector, Church of the Epiphany, Leeds, AL); Molly Carnes, Recovery Sunday, speaker; Lanier Young, in discernment, vocational diaconate

Renovation, Rehabilitation, Buildings and Grounds, Parish Workdays

The preceding twelve months saw the completion of a nearly four-year undertaking to renovate, rehabilitate, and repair all aspects of the buildings and grounds, interior and exterior, from drawers and closets to the organization of the work shed, from roofs, doors, and window casements, to floor coverings, furnishings, and décor. Included were: stonework; electricity; fuse boxes and lighting; pressure washing and painting; drainage repairs; playground equipment; refreshing of the gardens, to include seating and areas for reflection; updated security measures and lighting; directional signage; and, completion of disabled accessibility improvements, along with the replacement of an unsafe fire escape. A soaker system was installed for the ease of maintenance, given that few able parishioners yet live near enough to the campus to water the beautified gardens.

These efforts required nearly weekly, if not daily attendance by the junior warden, and required eleven assistants with differing specialties. While St. John's is depleted in the strength of some, the ministry of those supporting the buildings and grounds finds unusual strength in numbers and dedication. In addition to the strength and resourcefulness of our 2019 Junior Warden, who has since moved to Austin with his seminarian spouse and family, the parish was challenged and then blessed to find an interim. Under the leadership of both, the parish has held nearly quarterly workdays, which have attracted [comparatively] large numbers of persons willing to stay long hours, putting forward much physical effort. These workdays have invited newcomers in unusual numbers, over and against the reticence and sporadic attendance described above. Additionally, After School Program families have turned out in good numbers, also, where otherwise they have not been overly interested in worship or the shared fellowship events offered in past years. This suggests to leadership a dynamic shift, from worship and fellowship to service *as* worship and fellowship.

St. John's expanded and renovated its newly-beautified sacristy, added new linens, vestments, paraments, silver, crystal, and other sacramentals, as well as new church furnishings: presider and preacher's chairs, chancel and sanctuary seating, and a smaller altar for chancel or small group worship. These are only the greater features. At large, all elements of worship have been refreshed, cleaned, brightened, to include the brass work, lighting, and some items for the grounds (fountain, etc.). All these items were acquired by means of restricted gifts, and did not result in loans or other debts.

Extraordinarily, St. John's After School Program and community in general were gifted with a state-of-the-art sport and basketball court with solar lighting-- a donation made on behalf of the estate of The Rev. Leighton Younger+. An Eagle Scout project added a picnic area with tables. Also, as an extraordinary gift, St. John's received a full-color, LED sign, allowing the parish to invite the community to its many events and offerings, and to do so remotely and brightly. This project was a large technical undertaking, which like the sound system loop, carillon repair, remote sound technology (controlled by iPad, rather than sound board), and many data-related hardware and software updates, required a team of data systems administrators/technicians and electricians, all of whom are

parishioners. The new sign, it must be mentioned, has resulted in many more phone and email inquiries about St. John's offerings, if not visits and participation, and was key a very rapid set of registrations for the After School Program.

The parish was challenged to discover a rodent infestation (opossum) above the ceiling of the dining area in the parish hall. This required a wildlife management company, disinfection, and widespread remediation, along with replacement of a significant number of ceiling tiles. This unbudgeted expense was offset entirely by special gifts.

In the second year of After School Program operations following the total renovation of Stein Center, it was necessary to make repairs and refresh the facility for a new school year. This was accomplished along with some improvements, including the addition of an art piece-backsplash for the children's kitchen area.

St. John's campus, in terms of stewardship of the environment, has eliminated styrofoam, and uses exclusively compostable or recyclable paper products. Recycling cans for varieties of refuse have been installed, and while the City of La Porte offers services only for paper products, metal, plastic, and glass are shuttled from the parish to other recycling centers—such has been our commitment to a greener campus and set of habits.

The remaining items are still in need of attention: roof of Stein Center (likely within 3 years), new roof and fascia boards for the work shed, and leveling and resurfacing of the parking lot. The parish has no means to address these items at this time, but the leadership remains hopeful that the means will manifest, with God's help. We are delighted to report that the campus of St. John's, buildings and grounds, are entirely welcoming and lovely, in great repair and stewarded forward, in the hope of a future filled with community members accomplishing the mission and ministry of our Christ. Our preparations for these fulfillments are a sacramental sign of the parish's determination and faith.

Stewardship, Pledges, Finances

The ingathering of 2018 relative to FY 2019 resulted in an overall 7% increase in pledges and 87% participation (87 cards/100 possible pledge units). The new year began at 89% pledge giving, in a parish that had consistently operated at 98-102% pledge giving, 2015 – 2016. This same "dip" occurred at the start of 2017, with the recovery of a 95% mean not realized until September. This new year, as that dip was again observed, the parish was reminded of the hardships of the year before. Giving quickly recovered, maintaining 96-100% weekly giving until the occurrence of deaths and moves in the late spring and early summer. Since that time, the parish has operated at 95% pledge giving, which represents nearly 100% of the pledgers still active. Of these, some over-give, compensating for those who have been unable to fulfill their pledges.

St. John's has a long history of approving a "faith budget," projecting an annual deficit that until last year was never realized. Simply, the parish operates with a "bare bones" economy, and there is nowhere to reduce costs except in essential salaries, beginning

with the rector. Thus, operations have continued in this fashion. With the depletions of 2018, however, the deficit was realized. Forecasted to be \$32K, and approved by the assembly in the Annual Meeting, it was by year's end necessary to draw down \$6K from savings in order to remedy the delta. While this is much more conservative than a \$30+ deficit, it was an outcome that was, in faith and given history, unanticipated.

Seeking to narrow this deficit, the vestry and assembly approved a 2019 budget that forecasted a \$26K deficit. Despite the deaths and depletions, and consistent reduction in pledges which cannot be remedied, one drawdown from savings in the amount of \$10K has been necessary. As the math would indicate that these drawdowns could be consistent beginning in June 2019, this has not been the case, a happening that is as much a divine Mystery as it is a deep and looming concern. Otherwise, the staff keeps a very tight rein upon expenses, and is consistently accountable to one another and dedicated to undercutting the forecast. This concision in expenses, plus extraordinary gifts and the income producing Good Shepherding School and Art Studio, served to reduce the budget deficits in 2018 and 2019, and in years prior.

For the more recent pledge season, the parish made use of the TENS materials, *Shining Our Light*, together with some very poignant, transparent of parishioner testimonials. Yet, only 51% of 101 possible pledge cards were returned on the day of Ingathering. Further cards have not, as in the past, arrived by mail. These pledges, at the date of this writing, total \$175K, indicating a \$64K shortfall over yet another deficit budget. While the savings account may sustain such operations for another year, thereafter, this account will be close to depletion. Intense prayers are ongoing.

It is clear to the rector, however, that the majority of the outlying pledge cards are those supplied to new members, the infirmed, and some who pledge minimally, or never pledge. Therefore, St. John's will face a year of challenge from a fiscal standpoint, as the rector has forecast for three years. Two years ago the parish began, as a matter of responsibility, to convey these concerns to the Bishops via various rector communications, to Bishop Monterroso via a fall 2018 meeting, through a many page report (such as this) addressed to Mission Amplification (2018), and through a site visit, hosting the Mission Amplification team (spring 2019). During this latter visit, the team was given a tour of the surrounding neighborhood, the socio-economic and practical circumstances faced by our neighbors, the congested highways and arteries which will remain under construction for the next five years, cutting the parish off further from neighborhoods and populations from which it may draw membership. The team was treated to a visit with the After School Program, in session, and given a complete tour of the lovely, welcoming campus and newly accessible buildings. Over dinner, the consensus was that St. John's does indeed face obstacles and impending concerns, but that the team would be in thought and prayer concerning our experience, which is not dissimilar to that of similarly sized and positioned parishes.

NOTE: The rector and leadership realize that the situation of this parish is not unique and not uniquely curable. The rector also recognizes and testifies that the members of this parish are uniquely charitable, giving until there is no more to give. The parish family has

attempted, by all faithful means, not to allow discouragement to hinder creativity and labor for the sake of Christ. The rector also witnesses to the long struggle for health of spirit, the wellness of this community, which ironically has been attained—just as the practical, temporal, incarnational reserves are near depletion. As leaders, we are astounded that in the midst of this, there is still hope, still resounding sound and song in worship, and an ever-growing love for one another and for the small shepherd that God has placed into this circumstance. These things are both invigorating and sorrowing. For the insider, there is awe and worry. For the astute newcomer, the apparent worries may be a hard sell, and thus, the situation itself, over time, may limit further growth.

- ➔ Nonetheless, the responsibility has been met in replete reporting knowledge of, and faithful persistence within, the situation as it is in the lifecycle of St. John's, La Porte.

Christian Education, Spiritual Formation, Safeguarding

- Regular and ongoing Sunday Christian Education offerings included: Lectionary Study Group (“Adult Sunday School”); How the Bible Came to Be, Survey of the Old Testament, and Survey of the New Testament (Adult and Youth); *Faith Alive!* (upper elementary); Godly Play (4 years through 2nd grade); Nursery Sunday School (infants through pre-K).
- Sunday Evening Youth Group was the primary forum for Youth instruction. During the 2018-2019 school year, St. John's had only two teens. One of these lived distant and did not attend. The other invited various friends early in the group's formation. The group also twice attracted a teen whose family has fallen away from worship. Attendance by all became so scant that the occasions of meeting were reduced and eventually, given also the leader's impending departure for seminary, the group/class dissolved. The one teen who is an active member is currently not in Christian Formation. An attempt to customize a program for this teen, to include a personal mentor/educator, and specialized curriculum, with meetings to be held via FaceTime, were a complete failure given the teen's schedule and other events. Invitations to attend the Lectionary Study Group, which is entirely accessible to youths and certainly this highly intelligent teen, have been deferred. The rector is currently seeking a solution, hopefully also calling the two new teens, preparing for Confirmation otherwise, into the group. These newcomer families, however, are among those who largely do not participate in activities outside of worship.
- Retreats and conversation groups included: *Living Well Through Advent* retreat December 8; various book discussions
- An online resource added to assist with lectionary studies: *Preparing for Sunday*. NOTE: This resource was not accessed and was not renewed.
- Prior to Advent and Lent, several book recommendations and online study materials were offered to assist those confined to home or otherwise under time constraints.
- Lenten Soup Suppers: Lecture and discussion of “Matthew 25,” and community storytelling (two parts)
- Lenten Tuesday Morning Discussion Group: “Hanging by a Thread”

- Saturday Lenten Online Discussion group, following an online lecture distributed earlier in the week: “Jesus According to Matthew.” This was so poorly attended (by only those taking pity on the rector), that by Week Three the effort was abandoned.
- Safeguarding Training (Children and People), as St. John’s has its own trainer and a sense of hypervigilance, was offered several times during the year
- Summer 2019 Friday Night Study Group: Journey Through the Psalms of Ascent
- Sacramental Instruction and ministry refreshers: multiple occasions, as needed

Music Ministry

The Music Ministry at St. John’s continues to be the historic heartbeat and “soul” of Rite II worship. Together with the director of music ministry, a local high school choir and music teacher, musicians and vocalists, the ministry provides a robust sound, almost ethereally supported given the fewer and weaker voices from the choir stall. The music continues to offer a wide range from traditional hymnody and chant, to contemporary Christian, folk, spiritual and other works from diverse cultures. The music ministry and its members are beloved for the manifold gifts and dimensionality they offer in worship. However, this ministry also has seen deaths and infirmity, and many members can no longer drive at night. Therefore, within the past year, the parish has deferred performances with other groups, such as with the La Porte Pastoral Alliance and Evensong with St. Christopher, League City, and there have been no extraordinary performances or worship offerings, such as Taizé or Longest Night services, which were only lightly attended in 2017-2018. Instead, greater appreciation has been extended to those ministers who are able to accompany Sunday worship, and increased pastoral care has been extended to those veteran music ministers who have been unable to continue their beloved arts.

St. John’s After School Program

St. John’s After School Program remains the more robust of our parish ministries, and may be regarded, in fact, as the flagship. Of all ministries, this one receives the most staff and clergy time and effort. The Program, through its outreach to the at-risk children and families of La Porte, remains a substantial force in the service and shaping of the community. The curriculum, programing, content, accomplishments, data/metrics, and impact have been fully detailed in 2019 reports and correspondences with the Mission Amplification Team, and by through personal meetings in 2018 and 2019 with Bishop Monterroso and Elena Marks, as well as Episcopal Health Foundation staff. Detailing these here would be a duplication of effort which would extend this report further. The spiritual, ethical, philosophical components of the Program curriculum are seated in weekly Heart & Soul Time (chapel), a time of godly and civil formation, supported by readings, reflection, prayer, and a diversity of resources. The weekly and seasonal Program content is guided by the liturgical calendar and its associated themes in the life of Christ and the Church.

In summary and presently, the After School Program, due to individual, large gifts, and concision in expenditures, has been able to retain gifts in its accounts which have

extraordinarily secured operations through the 2019-2020 School Year. It was also in large part due to a venture by the rector, carried out in extraordinary fashion by the director and staff of the ASP, offering at-cost summer day care, Camp CanDO, which allowed summer expenses for the ASP to be offset by a balance of revenues. This venture was successful. Thus, the ASP is better positioned, financially and in fact, than is the host agency—the parish. This is temporary, of course, but is nonetheless the blessed outcome of faith and works carried out in 2018-2019. The leadership has regarded this as a clear sign of our Lord's intent that this Program survive, for the least of these.

This financial serendipity was not anticipated. In 2018, a committee received grants training and with the help of a paid grant-writing consultant, canvassed more than 30 charities and foundations, and as invited, filed request for funding applications with 8 of these. Despite the prospecting, every RFA was returned as declined, most often with the disclaimer that the reasons remain confidential. Two stated, though previously asked, that they would not fund after school or extended day programs, or children's programs in general. Another stated the Program was not within their geographic territory, though their materials stated otherwise.

Likewise, a corporate canvas by letter, phone call, and follow up, twice within a 12-month period, netted only 3 gifts from 330 corporations. Additionally, Kids Count Foundation, a parallel non-profit supporting St. John's After School Program, primarily, also saw reduced income and decreasing ability to support the Program. In June 2019, Kids Count Foundation, after 15 years, considered dissolution. Thus, it was that St. John's was nearly sure the Program had brought about its last full year of operations.

Additionally, the Program has established an annual fundraising event, *Tea at Two*, held for a second time in 2019. The speaker for this event was Mary Margaret Lobb Draughon, adjunct faculty in Humanities, University of Houston, Clear Lake, who presented a lecture entitled, "Everyday Empathy."

In terms of metrics, the Program has now collected a full year of data concerning a wide range of risk factors, traumatic events, and chronic and chronic-acute diseases in our population of children and families. Over and against the averages for the town, metroplex, county, and state, we now know that our children are most significantly impacted on nearly every count than are other children living in these regions. On average, by age 7, our children have experienced 7 risk factors for trauma and/or unhealth. The Program has also collected parent/family satisfaction surveys across two academic years. Of those respondents, 100% of parents or guardians expressed satisfaction across a range of responses from improved academic performance and literacy, to knowledge and regard for other cultures and peoples, from improved self-confidence and perceptions of security, to matters of civility, courtesy, and more. Finally, leadership has tracked and documented the effectiveness of its innovative *Anti-Bullying Policy*, which was developed in consultation with Krist Samaritan Center. These details are available upon request.

The rector was active in avoiding the dissolution of Kids Count Foundation, fully replacing

the board with nominees, now vested trustees, from professions representing education, childhood mental health, local business entrepreneurship, past non-profit experience, public accounting, and law enforcement. The historically all-male board has now seated two Hispanic, bilingual women, and two women representing Episcopal mission and ministry, diocesan and local. This new board is currently revisioning the name, mission statement, goals, and objectives of the NPO, while retaining primary emphasis upon and current support for St. John's After School Program.

Many festivities, activities, crafts, performing arts, film, music, and literary events are large components of our extended day education. These are shared nearly daily on Instagram.

In 2019-2020, St. John's After School Program welcomed a newly licensed childcare director, Amy Burns, who is a past youth volunteer for the Program and thus, soulfully invested in the Program and our children and families. Joining Ms. Burns was a new assistant, Diana Granados, a seasoned childcare worker and gifted with charisms in the visual arts. Both leaders have guided the children to regular expressions of thanks to donors of goods and services, including a large donation towards culturally-sound books for the Program's library, made by Rotary Clubs International, La Porte. The levels of prayerfulness, reflection, and courtesy are evident upon a visit to the Program. Upon the visitor's departure, the children will offer thanks, and in unison, exclaim, "Peace be with you!" Such interactions are memorable and inspiring.

This past year the After School Program again assisted in a community-wide Holy Saturday Egg Hunt, Backpack Blessing, community meals and events shared with the parish, and a moving first-time service of commencement, held as a part of the parish's Graduation Sunday, complete with speakers and testimonies, and farewells to the parish community.

A second full year of operations and a shift in the vision and objectives of St. John's After School Program, founded in community-based research and reactivated following a 2015-2016 pause in the Program and facility renovation, resulted in a need to revision and institute a new mission statement and core values. These are as follows:

The Mission of St. John's After School Program

With God's help, St. John's After School Program (SJASP), an outreach program of St. John's Episcopal Church, creates and sustains a healthier, more peaceable local community in collaboration with the most vulnerable members: at-risk children and their families, by providing loving, safe, values-driven extended, enriched education.

Core Values of the After School Program

St. John's After School Program advances wellness of the whole person through life-giving relationships and services, strengthening students' skills and characters through the following modalities:

- Spiritual Formation—incorporating inclusive, ethical and moral instruction, and acceptance of differences in faith traditions
- Academic and Experiential Growth—offering tutoring in reading, writing, and STEAM (science, technology, engineering, arts, and mathematics) skills, as well as special interest-inspired curricula and mentoring
- Whole Body Wellness—offering instruction in physical movement, as well as nutrition, healthy life choices, and integration of health/mental health services
- Ethical Citizenship—emphasizing social problem awareness, social skills instruction, environmental appreciation, and stewardship of varied resources
- Human Dignity Development—emphasizing civility, pro-social, diversity training, cultural acceptance,
- and anti-bullying education

Living Compass Wellness Center

With the departure to seminary of our Living Compass Wellness Center, the directorship has been filled by the Body Moves lead, who formerly oversaw ministries concerned with physical fitness. The Body Moves hosts weekly Sit & Be Fit classes, this past year adding a second class, Low Impact Aerobics, weekly. The Body Moves, within the past year, also hosted Beginner Yoga and Tai Chi, as well as ballroom dance class. More recently, The Body Moves offered line dancing classes. These offerings are available free, or low cost, to the whole community. Evening classes offer childcare.

Together with a registered nurse and parishioner, the new director of the Wellness Center undertook an audit and restocking of all parish first aid kits, posted procedures and signage, wheelchairs and walkers, and will soon assist in the solicitation of a donation of a defibrillator. This follows neatly upon a total security assessment by the Junior Warden's assistants, in improving staff and parishioner safety.

Lay Pastoral Assistant Ministry – Good Shepherding School

The Lay Pastoral Assistant [LPA] Ministry, a ministry of the Good Shepherding School for Pastoral and Spiritual Education, continues as strong. Although there have been 7 depletions among the 6 pastoral care teams and 22 commissioned LPAs, new recruitments and trainings have and will soon refill the ranks of these parish-based *para-chaplains*. Over the preceding 12 months, LPAs have provided more than 500 points of care in addition to and augmenting that of the rector. The LPA ministry carries a requirement of periodic meetings, continuing education events – a speakers' series on a variety of wellness/health/care topics also open to the public, communal worship, and anniversary and Advent fellowship events. The Good Shepherding School/Pastoral Care Ministry also coordinates and trains the Lay Eucharistic Visitors. All these activities continued regularly through the period covered by this report.

St. John's Art Studio, Retreats and Groups

St. John's Art Retreats, held quarterly for four years, have enjoyed an overwhelmingly

unanticipated participation across parishes and communities. These retreats, often accompanied by informal worship and sacred music, and through multimedia visual arts, explore seasonal/liturgical themes, spiritual or theological concepts, issues of illness, grief, self-concept/self-perception/-expression, and more. The media are selected, 1) to offer an occasion of easy instruction and quickly acquired skill; and, 2) are to some degree “uncontrollable,” thus resisting the urgency (and possibility) of perfectionism, shame, self-criticism. The art retreat is a safe space, within which everyone discovers the shared creative nature of the Creator. This affirming ministry, in recent months, hosted, “The Waters of Creation” (Advent), “Pray in Color” (preparation for Lent), and, “Not the Selfie” (ordinary time; an exploration in resisting the representational or presentable self-image). Additionally, the Studio hosted pop up art nights, inviting a grief related discussion, conversations about women’s struggles with conceptions of beauty, and simply, time for free art in community. Finally, the Studio hosted a year-long Sunday evening, monthly art journaling and support group, which met in homes.

Elderberries

The Elderberries Fellowship is a social, supportive community of retired adults, aged 55 and over, and their friends and family. The Elderberries is focused upon senior adults, but is not exclusive in its membership. The Fellowship is very well-attended by regular and occasional participants, longtime parishioners and newcomers, and reaches across parishes and communities by invitation. In the year 2018-2019, the Elderberries hosted outings to the Festival of Lights, a bluebonnet tour, a field trip to Lucky Land (Asian History and Cultural Museum), Pasadena Hometown Opry, Annual July 4 Shrimp Boil, Galveston Tree Sculpture Tour, Lone Star Flight Museum, and more. The events provide transportation and include special accommodations and meals.

Below are/were other active ministries of the parish. This list and these activities are by no means comprehensive. St. John’s currently has more than 25 active ministries.

Fellowship Team

The Fellowship ministry at St. John’s is very active and coordinates many members and activities. Related “kitchen ministries” include Breakfast Teams and Coffee Hosts. St. John’s hosts a full breakfast between services, every Sunday of the year, and a Coffee Hour featuring a variety of offerings following the Rite II. St. John’s is pleased to support a variety of dietary and nutritional selections: vegetarian, vegan, lactose free, soy free, gluten free, sugar free, low fat, low carb. A hospitable attempt is made to assure that everyone can eat something at every event. This is an impressive and open-hearted approach to welcoming *all* to our tables. The Fellowship Team, over the past 12 months, has hosted the following events (this list is not comprehensive): Ingathering Potluck Dinner, All Saints Cookie Contest, Community Thanksgiving Feast, Luscious Leftover Sunday, Christmas Dessert and Sweet Sharing, Annual Meeting Potluck, Lenten Soup Suppers, Pentecost International Breakfast, Pentecost/Birthday of the Church Contest, Recovery Sunday Reception, Pancake Supper (Men of the Parish).

Rotary

For more than 50 years, St. John's has been the home and host for the weekly meetings of Rotary Clubs International, La Porte. St. John's provides the catering, also, for this luncheon. This past year, due to depletions, the kitchen staffing and leadership underwent a shift. St. John's did not miss a beat in the provision of these services, which produce revenues benefitting parish operations. Also, during the past year the contract for services, subcontracts, purchasing agreements, and rotary staff job descriptions underwent revision, renewal, and approval.

Daughters of the King

The Daughters of the King continue to meet faithfully, monthly, and participated in the diocesan/regional DOK retreat.

Narcotics Anonymous

The lead for this important recovery ministry moved to Austin/seminary, and the leadership passed to a non-parishioner. Meetings, however, continued without interruption.

Holy Healthy Table Food Pantry

The Pantry continues to be an important resource for our ASP families, children, and our neighbors in the community. Special reserves have been set aside for the service of those affected by Harvey and Imelda. The pantry also stocks and vends school supplies. The donations come largely from the congregation, periodic supply drives, and as affects the victims of disaster, Episcopal Relief and Development/Diocesan Disaster Recovery.

Funeral Receptions

A sub-ministry of the Fellowship Team, this group provides receptions for the families of those who have died. This ministry was especially busy in 2018-2019.

Mission, Service

Mission Trips

Due to the small number of youth who are also over-engaged, and a limited number of available youth leadership, there was no youth mission trip in the summer of 2019. The parish at large sees its greater mission locally, in the After School Program. Nonetheless, this past year the parish held supply drives to assist refugees at the Texas border. Accompanying this effort were significant monetary gifts to make purchases to be shipped to McAllen/Catholic Charities.

As in 2018, an Adult Urban Mission Trip, in the summer of 2019, served The Beacon and *Mosaics of Mercy*. This daylong mission trip was well-attended and coordinated. The rector and seminarian Clint Brown served at the border in McAllen. Both became ill, requiring urgent care, in the days following this service. Nonetheless, a second and larger team was to have visited the border during a four-day trip planned for September. Just days before departure, there was a news release concerning the effective closure of the portals served by the Humanitarian Respite Center in McAllen. A call to the Center confirmed that the mission should be abandoned, as the refugees had slowed from an average of 750 per day, to less than ten. The supplies collected for this trip were shipped to the Center, for the use of those workers with access to camps on the Mexican side of the border.

Disaster Relief

In terms of disaster relief, the leadership team supported the rebuilding, respite, and help for three local families and one single person (homeless, yet now a parishioner), and with the help of Diocesan Disaster Relief, funded building supplies, fees, rentals, utility payments, food, clothing, furnishings, and more. Additionally, and as able, St. John's provided limited remediation, moving, meal delivery, and pastoral care services. The Mosaic Community was the lead and the pivotal force in the remediation and rehabilitation of our homeless parishioner's house.

The rector, in a solo effort, followed up with every member of the parish in the Deer Park and other areas of quarantine, during and repeatedly throughout the days of the ITC explosions and fires.

Days for Girls

As the rector is a clergy founder for this ministry, since 2016, St. John's has supported Days for Girls-Friendswood. Presently a sponsored outreach of the diocesan Episcopal Church Women, St. John's has been privileged to host the January 2019 Sewathon. Additionally, St. John's has a cadre of sewists who regularly attend and support monthly sewathons. To learn more: daysforgirls.org

Vocations

St. John's has two members in seminary and two in discernment. St. John's supports its seminarians, financially, prayerfully, practically, and with additional opportunities for stipendiary ministry when home/on breaks. During the rector's recent recovery from surgery, Clint Brown, VTS 2020 and candidate for Holy Orders/Priesthood, acted as deputy assistant rector, taking pastoral and other call under the supervision of the rector. Katie Gould is in her first semester, priest-track, at Seminary of the Southwest. Her spouse, Chris Gould, is in discernment towards chaplaincy. Lanier Young is presently in discernment towards the bi-vocational diaconate. These individuals are beloved by the parish, and those who are gone are deeply missed on every level, leaving large gaps in worship, many ministries and in giving. Our joy, therefore, is tempered by obvious loss.

All are celebrated, however, each Sunday in the prayers, and are treated to precious care when “home.”

Community Activities

St. John's participates in the leadership group and activities of the La Porte Pastoral Alliance and Love, Inc., La Porte. This includes contributions to a community charity sponsored by the Alliance, as well as participation in periodic community events: Thanksgiving Service (2018, Prayers of the People, The Rev. Viktoria Gotting), Easter Sunrise Service (Katie Gould, reading); National Day of Prayer (Katie Gould, offering prayers on behalf of St. John's), and invocations for City Council Meetings (twice, The Rev. Viktoria Gotting). Lanier Young will offer the opening prayer for the 2019 Community Thanksgiving Service. The parish also supported the Alliance's youth corner at Sylvan Beach Day, and the local cooperative led by La Porte First Assembly of God, *Convey of Love*, a health and human services event, March 2019. St. John's contributed, as usual, to donation of gift cards given to La Porte teachers to help fund classroom supplies. St. John's also twice hosted the Galveston Convocation of Clergy, for which the Fellowship Team joyfully and so gladly provided lunch.

Jim Liberatore, Dean

NORTHEAST CONVOCATION

Grace and peace to you from the Northeast Convocation!

The status of the Northeast Convocation remains excellent. The clergy continue with their usual meetings on the fourth Tuesdays of the month between September and May. We are always grateful for the generous hospitality of the church family at St. Matthew's in Henderson and their priest, The Rev. Pasty Barham.

Our meetings are times for the clergy in the Northeast Convocation to come together for fellowship and discussion of issues around our vocations as clergy. It is also a time for fellowship and support. Sometimes we even go out to lunch together to continue our discussions.

Between the Novembers, 2018 and 2019, the following notable things have occurred:

- We continue to use the <https://www.facebook.com/NortheastConvocation/> Facebook page! So far we have had the background photo alternating images of the various churches in the area. We have also been faithful in placing upcoming events for the whole convocation to see.
- Celebrated Christmas together at Bishop Fisher's home. Thank you for your hospitality!
- The Rev. Dr. John Himes of Trinity, Marshall, Retired as of February 1, 2019.
- The Rev. Dr. Bill Carroll became Rector of Trinity, Longview as of April 7, 2019.
- The Rev. John Carr of St. Luke's, Lindale, Retired as of June 10, 2019.
- The Rev. Dr. John Himes became Priest-in-Charge of Christ Church, Jefferson as of June 15, 2019.

I look forward to being a part of growing conversations in our convocation concerning how we can get together as Episcopalians, members of the Diocese of Texas, and the Northeast Convocation.

Christ Episcopal Church, Jefferson

2018 was a transition year for Christ Church; The Rev. David Puckett, who had been Priest in Charge for seven years departed Christ Church in the spring of the year. The Rev. Dr. John M. Himes was appointed the new Priest in Charge in June of 2018. The parish continues to be a vital part of the Jefferson Community. In January it hosted its Annual Spaghetti Supper for the entire community. The proceeds go toward supporting the local Jefferson Food Bank. The members of the parish are active participants in the Food Bank staffing the facility every Wednesday as part of our community outreach.

St. Francis, Tyler

Since last November St. Francis continues to reach out to the greater community. We have participated in the Church Under a Bridge initiative by providing monthly lunches in which we are in our fourth year of doing so. We have been meeting with our neighborhood community by hosting quarterly events, meals, and participating in our church gatherings such as pancake supper and Easter egg hunt. We have been supporting our missional community, The Well, which is a storefront from which we host four ministries: Just as I am, which ministers to the LGBTQ community and allies; Two or More, which ministers to an interdenominational group desiring to grow in their personal relationship with God; Young at Heart, a missional community promoting health and wellness in East Texas who are 50 and over; and God's Grace, a community of caregivers that gather weekly for fellowship and support through faith and community. Not to mention many other ministries that we are involved in.

Fr. Mitch went on sabbatical this past summer and we had Fr. Max Reynolds of Lufkin supply during that time. We are fortunate to have such a great leadership team at St. Francis and a Diocese that supports something as important as a Sabbatical for our Clergy.

We as St. Francis Church continue to seek to grow in our relationship with God, our neighbors, and each other. In a prayer we say every Sunday we pray in part that, "We seek [God's] wisdom, discernment and guidance as to how we may serve [God] best and to [God's] glory." We got this, with God's help.

St. Matthew's, Henderson

- Confirmation of 8 middle schoolers.
- \$7,000.00 given in outreach- (formerly Missionary Asking).
- Those charities gifted- at least one parishioner is actively involved.
- 15th Annual Pumpkin Patch Outreach Ministry – success-planning 2020.
- Supporting Earthwide Surgical Foundation- patients: w/ cosmetics, hygiene articles, & totes; key surgeon –resident of Henderson w/ emails of encouragement as he serves quarterly in Nigeria.

- Supporting Jesus Closet in Tyler, Tex. -clothes, teens served breakfast.
- Samaritan Counseling Center of Tyler-classroom in Parish Hall serves as office space for counselor weekly to see clients.
- Open Plate offering to charity/nonprofit monthly -guest speaker recipient gives talk at Coffee Fellowship to strengthen relationship.
- Supporting East Texas Human Needs Network w/ interviewer.
- Participating in Walk the Doc- monthly in the park.
- Community of Hope- completed training of 4 lay pastoral caregivers.
- Daughters of the King- 11 women meeting monthly.
- Purchase of new green hangings, chasuble, and stole.
- Replacing & painting exterior boards on church.

Trinity, Longview

Since the arrival of our rector, the Rev. Bill Carroll, in April 2019, we have been engaged in a visioning process which began with three stakeholder groups (on formation, outreach, and fellowship), a Vestry retreat, and four parish-wide forums. Early initiatives in formation include a new adult Bible study at a local coffee shop, a monthly youth and family gathering, the decision to call a youth and family minister as well as an Associate Rector or Curate with primary responsibilities at our parish school. In outreach, we conducted a parish-wide survey around present and future priorities (consensus was hunger, homelessness, and veterans). We are revamping our "mission of month" offering to focus on a smaller number of ministries in these specific areas, emphasizing specific ways to connect and serve as well as give financially. We are also developing a new initiative of veteran-to-veteran outreach, as part of the current Episcopal Health Foundation Holy Currencies cohort. In fellowship, we developed a calendar of monthly intergenerational fellowship events. We also launched a small group dinner fellowship ministry, with 18 groups meeting four times between October and May. Of particular note here: we had the co-chairs assign every member of the parish who did not explicitly opt out. Each group has a chair and suggested conversation questions and prayer resources. All of these initiatives are in service of an overall vision of building on our strengths and gifts to become a growing, thriving, Christ-centered, outwardly-focused parish. Right now we are building infrastructure so that we may actively invite people and give them ways to connect with others, grow spiritually, and follow Jesus in the world.

Mitch Tollett, Dean

NORTHWEST CONVOCATION

Christ Episcopal Church, Mexia

Christ Church fared well in 2019. We were able to expand our outreach. Primarily, we held our first community-wide Blessing of the Animals, during which we provided over 45 rabies shots to pets in the area, gave away food, and had a successful "yard sale" for which we accepted donations. This helped to clear out our house next to the church that

we plan to convert to a community center and raised some money to help with remodeling. It was also a day in which we were very visible in the community.

We look forward to increasing our support and visibility in the coming year. The church continued to award over \$70,000 in higher education scholarships. We are blessed with wonderful members who have a heart for others and for the mission of the church.

Christ Church, Temple

We just held our most successful Music to Help Others program in October. Four times a year, Christ Church offers concerts benefitting local communities. The church was overflowing and included a Pumpkin Carol Sing-Along. December will include a Sing-Along led by the Girl Scouts who meet on our campus. In December we will also partner with the Academie Musique, which also meets on our campus, to present P.J.s and Popcorn in the Pews on Wednesday evenings as we watch Christmas Movies together. We have begun a partnership with the Holy Currencies Initiative and Unincluded Kids for developing health in East and Northeast Temple. This includes an Urban Garden. Christ Church continues to partner with other churches in the area for Tuesday Solace and Feed My Sheep activities. We are also partnering with other churches, including Covenant Lutheran, for liturgical events such as Blessing of the Animals and Thanksgiving Day services. Christ Church has recently received training for Invite, Welcome, Connect and is beginning the process of implementing key ideas and elements of this program. The Youth are gearing up for their summer mission trips. Our Pastoral Care programs have been expanded to include Homebound, Card, and Active Military ministries. In June, Justin Yawn, our Rector, accepted another call. In October we called Janice Krause as our Interim Rector.

Episcopal Student Center, Waco

The Episcopal Student Center – Waco has had a year of growth and stability. In the past year we have confirmed 6 and had 77 students walk through our doors and experience Christianity through an Episcopalian lens. Our campus missionary, the Rev. Keith Pozzuto, gave the opening invocation before a Baylor football game at McLane stadium. Additionally, the ESC hosted a tailgate before every home game. Our students also participated in trunk or treat with 1,500 community participants. At Baylor University, we have experienced continued growth and a vibrant Bible study where we looked at hymns of the church! Our Eucharistic service has been well attended and has been enhanced by an upgraded All Saints Chapel. At Texas State Technical College, we are the Canterbury Club, where we have had bi-monthly meetings that see up to 35 students engaged in thoughtful discussion and a very simple Noonday Prayer service. We are making new Episcopalians at TSTC. At McClennan Community College we are partnering with faculty to start a new mission to MCC. We have 2 students and are poised to grow. We continue to give thanks for the grace of God in Christ Jesus as we proclaim without shame that Christ died for thee!

Holy Spirit, Waco

Holy Spirit Episcopal Church, Waco, exists because God has called us by name to become and share the good news of Jesus Christ. We create space so that all people, young and old, can learn to hear Jesus' voice and follow him in their lives. We intentionally include people with and without disabilities. We serve those who serve our city. This year, we implemented Catechesis of the Good Shepherd, a Montessori-inspired children's curriculum, for ages 3-12; we opened McLennan County's only publicly-accessible disability-inclusive playground; and we started hosting the Heart of Texas Recovery-Oriented Systems of Care (ROSC) that is working to building a recovery-focused service "hub" for McLennan County. All together, we have both opened our doors and moved out into our community in significant and new ways.

St. Alban's, Waco

While St. Alban's mission is to proclaim to all, in word and deed, the grace of God in Jesus Christ, our theme for 2019 felt more like "Under Construction." At the end of 2018, we broke ground for our \$4.5 million campus expansion project, and the ongoing construction has touched every aspect of our parish life in 2019. Without a functioning Parish Hall, we had to find new spaces for weekly events like Sunday School and our Wednesday Bible Study, as well as for annual events like Shrove Tuesday, VBC, and our Lent/Advent dinner-and-discussion series. We even had to move our Sunday worship one Sunday for a memorable once-in-a-lifetime service of Morning Prayer held at a local synagogue, Temple Rodef Shalom.

Nevertheless, even amidst the disruption of construction, St. Alban's Waco continued another year of growth and meaningful ministry, rooted in God's grace. Ten people (adults, children, and infants) were baptized into the body of Christ.

In January, we welcomed new staff member Stephanie Drum to serve as Director of Ministry to Children, Youth, and Families. Stephanie ran our largest ever Vacation Bible Camp and welcomed lots of new faces in our youth group. She led the youth to Houston this summer on a mission trip to assist in the ongoing rebuilding efforts from Hurricane Harvey.

Our annual Theology on Tap series outgrew the pub that hosted it, and in February, we moved to a new local restaurant, Milo All Day. We welcomed groups as large as 130 to hear sociologists and historians discuss trends in the American church.

In our Music Ministry, under Eugene Lavery's leadership, Choral Evensong has now become a monthly offering, in conjunction with our Sacred Arts series. Our 2018-2019 Sacred Arts series drew an average of 142 people.

We also offered the Easter Vigil for the first time since 2012. Overall, we welcomed 628 worshipers for Easter, the highest since 1969. The next Sunday, Bishop Fisher joined us and confirmed twelve people.

Over the spring we made a concerted effort to invite our newer members to make a pledge to the “Our One Foundation” Capital Campaign. The result was \$1 million in new pledges to this historic effort, bringing the total to \$5.3 million. We also saw \$420,000 in pledges to phase 2 of the campaign, of which the key feature is a new organ.

In July, the Rev. Neal McGowan finished his curacy and became our Assistant Rector, the first person to fill that role at St. Alban’s Waco since the 1980s. In August we welcomed the Rev. Korey Wright, our former seminarian, to be our guest preacher for our annual Jonathan Daniels Day observance.

Our Adult Sunday School class continued to grow as the Rev. Neal McGowan brought in gifted speakers and scholars, some from within the congregation and some from outside, to offer compelling programs on scripture, poetry and faith, and Anglican spirituality. Neal also oversaw our small group ministry, which grew to nine groups in 2019.

Throughout the year, Rebekah Stille Hughes, our Newcomer Coordinator, did an incredible job running our Newcomer Ministry. A total of 91 people took our St. Alban’s 101 class, with 86 joining the church. That growth was reflected in our 2019 ASA of 292, up 17% from 239 last year (an 83% increase since 2013).

This has translated into continued growth in our community outreach. In 2019, we continued partnerships with Mission Waco, reVision, the Cove, and All Saints Parish of Nambiti, Malawi. But we placed a special focus on inviting more volunteers to serve Cedar Ridge Elementary, our Adopt-a-School partner in Waco ISD. We participated in Career Day, collected donations for Packs of Love, and provided the meal for the school’s annual open house. Faculty and administration came to our Blessing of the Backpacks service in August. Additionally, our clergy were invited to pray for teachers and staff before the start of school.

As we look to 2020, we are excited about a new lay-led ministry to seniors, a science and religion reading group, even more involvement at Cedar Ridge Elementary, and increased involvement with CarePartners, a ministry to those experiencing memory loss and those who care for them. We are also especially excited to offer administrative support and meeting space to the new church plant in Waco, led by the Rev. Oscar Huerta, focused on ministry to Waco’s Hispanic community.

We are excited about getting to use our new Parish Hall and other new spaces early in 2020. Our campus will be more accessible, more beautiful, more welcoming, and better equipped to serve people for years to come. But we are even more excited about the spiritual growth and renewal we see all around us, both in our congregation and our community.

St. Christopher’s, Killeen

2018 was a good year for St. Chris’s, with steady attendance, even as Mother Jan Jones prepared for her retirement, and her final Sunday here, on August 31, 2019. Sunday

attendance picked up a bit as Mother Jan wound down her rectorship, which boosted attendance records overall. In 2018 the ASA was, in the absence of such exceptions, just a bit, roughly, under 110.

2019 began with the Vestry hard at work in recruiting a new rector, with a call being made and accepted in the late Spring. Fr. Steve Karcher began as Rector on Sunday, March 11. For a bit attendance was down slightly, but in fall 2019 ASA has trended slightly upward, perhaps towards 105. We had a fantastic attendance at our pre-school Sunday and have targeted an ASA of 115, for 2020!

Our parish office staff person is both dedicated and excellent. We are interviewing candidates for a bit of extra help as we launch new projects and lay the foundation for growth. Parish finances are stable.

Many new projects for beatification of the grounds and buildings are funded and underway. We recently repaired two section of our south parking, which had been damaged by heavy commercial trucks. We also reoiled and repainted the lines on both the north and the south parking areas. They both look fantastic!

Our south lawn and garden area were dramatically cleaned up and improved in late summer, in large part due to the effort of our Jr. Warden. Fr. Steve is working with the BSA troop on an Eagle Scout project to further improve our grounds, and to tackle the abandoned labyrinth. We are close to having a working church bell, once again. Very soon we will have a new patio cover to provide protection from rain and sun alike, for our pre-school children and parents, as well as parishioners.

The parish has a new website, which although still in development, is much nicer than the former site, and we are busy working on other marketing outreach options. Fr. Steve has an agreement with *The Daily Herald* to run a regular comment in the Religion section. It has received positive comments from the public.

The St. Christopher's Preschool is well-managed, as reflected in its attendance growth and financial stability. Fr. Steve is taking an active leadership role both on the pre-school board and in collaboration with the Head of School to improve the school's play area, and to make the joint-use areas more appealing to the children and parents.

Fr. Steve has been busy working with parish and school leadership to develop plans for appropriate use of the now fallow acreage behind the church and school buildings. We are envisioning an educational nature path, for example, built in collaboration with the BSA troop which uses our parish hall for meetings and events.

Overall, 2019 has been a very good year. We expect that the efforts detailed above will result in healthy growth and more financial stability in 2020.

St. Francis, Temple

This is a continuing year of transition for St. Francis. In 2018 we welcomed a part-time

Interim Rector and began the process of searching for our next Rector. This process actually has gone quite well, however, we did learn some things about ourselves that we decided to take time and work through. So, in March of 2019, in consultation with our Bishop, we asked that we be allowed to not only extend our interim period, but to arrange for the part-time Interim Rector to become a full-time Interim Rector. This has proven to be a time of exceptional grace for us, as we have begun to rediscover our mission in Temple, our joy in worship, and our dedication to the Gospel. After what has seemed at times, as a period of struggle, we are now moving forward with increased activity, a higher budget, and a renewed sense of purpose.

St. Joseph, Salado

What a great year we had in 2019! We had eight Baptisms in 2019 and we had two people Confirmed and one person Received into the Episcopal Church. Our annual Shrove Tuesday Gumbo Dinner continues to be a hit. Our Easter service was well-attended with 130 in attendance. The service was followed by an Easter Egg Hunt for the children and a Brunch.

Fr. Bob retired from St. Joseph's on July 1st. His last service included a celebration dinner with well over 100 participating.

This year we combined the Feast of St. Mary and St. Joseph, and had a service, followed by a festival dinner on August 15. The Feast was well attended and everyone had a great time.

Our Annual Pumpkin Patch was held in October. All the Kindergarteners from Salado school came ready to hear stories and receive individual pumpkins. We also hosted a fun filled Halloween carnival for our Youth Members and their guests. We also made over \$2,000 in proceeds on our Pumpkin Patch, which will be used to fund community Outreach Programs.

The Youth Group of St. Joseph's continues to grow and thrive. They meet every Wednesday night for a meal, lesson, and evening prayer service, which is led by the Youth. The Youth also participate fully in the liturgy and church life. This year we again had three of our Youth attend the Diocesan Music Camp at St. Peter's in Brenham, TX and five attend Summer Camp at Camp Allen.

We hosted a Community Blessing of the Pets Service on October 6, which was attended by 28 people, 22 dogs, 2 cats, one bird named Christmas, and a horse named Ace.

We co-hosted a 5th Quarter event for the Salado Youth, with the Salado Church of Christ. The event takes place after the home football game, and approximately 215 Youth attended and had a great time.

We look forward to our annual Posada event, which will be on December 14.

St. Martin's, Copperas Cove

God continued to show his faithfulness through the hard-working efforts of the parishioners at St. Martin's this year. With the retirement of their Vicar in July of 2018, the Bishop's Committee did an amazing job of continuing to live into their mission of offering God's love and grace to all. With the support of clergy once a month to celebrate the Eucharist together, parishioners stepped up to lead Morning Prayer in the interim. In

September 2019, St. Martin's invited the Rev. Beth Woodson to become the next Vicar. She is an Iona School of Ministry graduate and currently serves as the Bi-Vocational transitional Deacon in Charge. Her ordination to the priesthood will occur in January of 2020.

The church continued to reach out to the community by allowing our facilities to be used for NA/AA and MS support groups. We also participated in the Copperas Cove "Falloween" festival with a booth to hand out candy. St. Martin's also entered a float for the Veteran's Day parade held recently. This too was another way to be visible to the community and build relationships.

Our fall Rummage Sale was successfully held to raise monies for Outreach to the community. In part, this outreach work provided a turkey and groceries at Thanksgiving for families of 30 students chosen by the local CIS counselor at our elementary school nearby. This will be repeated during the Christmas holidays. Our Daughters of the King Chapter provided the funds to supply resources for furniture, bedding, etc., for a room at the Women's Shelter.

Towards the end of 2019, the average Sunday attendance at St. Martin's was 23. We have several aging parishioners who are not able to attend or attend infrequently at the very least. However, we maintain fellowship and communication through newsletters and pastoral visits. Our children's ministry continues to grow and currently average 8-10 children, aged 1 yr. to 12 yrs.

The parishioners of St. Martin's have faithfully come together this year to maintain an Episcopal presence for their city. Their efforts clearly demonstrated that the Lord works through His people, not through an organizational structure. We will continue to reach out with God's grace and share the love of Jesus with our neighbors, family, and friends.

St. Paul's, Waco

For the past year we have been focused on looking beyond ourselves as disciples of the Jesus Movement. Living into that vision, our Senior Episcopal Youth Community traveled to the Uintah-Ouray Ute Reservation in northeast Utah to host Vacation Bible School at St. Elizabeth's in Whiterocks. In this cross-cultural exchange, we learned about life on the reservation for our Episcopal brothers and sisters. Our Disciples Camp this past summer saw over 175 volunteers and campers live in the world of Athens and hear about the life of the Apostle, St. Paul. Christian formation is robust as we now offer three adult classes each Sunday and formation for our younger members. During the week you can find EFM classes, Bible study groups, and centering prayer. This year we held two parish workdays where over 50 people, ranging in age 2 to 92 spruced up the grounds with their time and talent. This year we welcomed the Rev. Brandon McGinnis as our Curate, and the Rev. James Pevehouse was promoted to Senior Associate Rector. Our school (toddlers through 6th grade) has reached all-time high enrollment numbers at 204. The challenges of operating an aging plant remain as unexpected repairs are dominating our expendable income. Know that we are blessed to serve as the downtown Episcopal Church of Waco.

Aaron Zimmerman, Dean

SAN JACINTO CONVOCATION

The clergy of the San Jacinto Convocation meet the first Wednesday of each month for worship, lunch, and fellowship. The Clericus was facilitated by Sharon Carroll, but she moved out of state over the summer. We gather for Holy Eucharist, have a “Check-in” concerning happenings over the past month, offer encouragement, collegiality, and support to our members, and engage in conversation relevant to our life and ministry.

This past year Bishops Doyle and Fisher came to a meeting.

We meet in several of the parishes during the year with every other month holding the meeting at Trinity, The Woodlands (the most central location within the convocation). On the alternating months, we travel to host parishes and enjoy their hospitality and have to opportunity to see other facilities in our Convocation.

Some changes within the churches of the San Jacinto Convocation in the past year (2019) include:

- The Rev. Frank Samuelson became Associate Rector at Trinity, The Woodlands.
- Kyle Carswell joined St. James, Conroe as curate.
- The Rev. Randall Trego is now part time at Saint Dunstan’s and ministers at Methodist Hospital, The Woodlands.

Any mistake or omission to this list is the responsibility of the Dean.

Gerald Sevick, Dean

SOUTHEAST CONVOCATION

St. John’s Episcopal Church - Silsbee

St. John's has continued to actively support the Hardin County Christian Care Center with a monthly donation that helps feed, clothe and otherwise provide services to our neighbors in need. We participate each Christmas in the CCC's Angel Tree ministry providing gifts for children in need. Parishioners volunteer at CCC, our ECW sends a yearly donation and 2 months each year we collect food and cleaning products for CCC clients. In addition, our DOK continues their ministry of prayer for all of Hardin County.

Samaritan Counseling Center utilizes space on our campus to provide counseling services to low and moderate income clients. We also provide meeting space for 12-step groups and make our space available to a variety of community groups and service organizations, as well as a polling station for elections.

Silsbee proper was largely spared from the impacts of Tropical Storm Imelda, which inundated many areas in Southeast Texas. We have supported relief efforts in the region.

During October we invited our neighbors to attend our annual Pet Blessing. We also participated in Silsbee's yearly Trunk or Treat, with treats for the kids and "St. John's invites you" cards to the adults. We took part in Stand Sunday to support and pray for children in the foster care system who are awaiting adoption.

We continue to take an active role in the life of our community and find ways beyond Sunday morning worship to connect with our neighbors. We are making plans for our 2nd annual Christmas Jazz at St. John's concert open to the community, and will also offer a Blue Christmas service for those in the community who struggle with pain or grief during the holidays.

Holy Trinity Episcopal Church – Port Neches

Holy Trinity congregation along with The Rev. Mark Chambers continue to build ministry and focus on community engagement. The new ministries for children's chapel, Adult Bible Study, and Sunday School programs continue to grow.

Fr. Mark has continued to promote and the church in the community as an active member in the Port Neches and Nederland Chambers of commerce, presenting at local men's breakfasts at the Baptist Church and Lions Club. We helped lead a community Easter Morning sunrise service in Port Neches tugboat park. We have gotten more involved in our community by again hosting a Back to School Bash, inviting the community at large to a day with games, bounce house, water slides, snow cones and hotdogs, and bingo free for all! As part of a Ministry alliance of the local churches we participated in a prayer at the flag pole for our school as classes resumed after the summer break. Holy Trinity gathered with the local community to pray for our students, teachers and administrator for the new school year. In September our area was again flooded this time by Tropical Storm Imelda. Luckily none of our parish members flooded this time, but everyone knows someone that did. We worked in our neighbor communities of Vidor and Winnie to help feed those affected and directing others to get the help they needed.

In October the church again raised \$3,500 dollars to fight world hunger with the program Rise Against Hunger. On October 20th the church gathered with local Scouts, Lions Club members, and others from the community to package over 10,000 meals that will be shipped out around the world to feed students and people in disaster areas. Right after our Trunk or Treat in early November Holy Trinity hosted its first Chili Cookoff contest and Pumpkin chunking contest. Many attended and fun was had by all. In Mid-November the parish's Men's Group will work together to install a new glass door to the parish hall making a more visible entrance as well as enhancing safety for people going in and out of the church. The community of Port Neches know we are here and our church is getting noticed. We are all excited to see what God will do here at Holy Trinity, and how we will expand our reach further into Southeast Texas.

Trinity Episcopal Church – Anahuac

Blessings abound at Trinity, Anahuac! Early this year, we completed the installation of our new doors and had a special blessing for them and all who enter our worship space through them. Our Easter celebration was overflowing with family and friends as we baptized Finley Claire Selby and welcomed her into the body of Christ. April continued to be busy with our annual Fish Fry held at the Anahuac High School cafeteria where we celebrated Eucharist with 35 others from the community. On Pentecost we took a wonderful parish photo, all of us dressed in red; we hope to make this an annual picture to post on our new website. As the school year began, we held our back to school service complete with blessings for students, parents, and teachers and of course-backpacks! In October, Trinity held its first Blessing of the Animals service outdoors under our beautiful oak trees. We blessed several dogs, horses, stuffed animals and also had a local rescue shelter representative present. This is also an event we hope to do yearly. We are currently looking forward to Advent and have just had a “class” on the making and symbolism of Advent wreaths and their importance for us as Christians during the Season of Light. Everyone is excited about Bishop Monterosso’s visit in two weeks when we will confirm Diane Hollis followed by a wonderful meal and meeting. As we look to 2020, we are filled with gratitude for our church family, both old and new.

St. Paul’s Episcopal Church – Orange

We have had another wonderful year at St. Paul’s. We are excited to report that we have fully recovered from the flooding caused by Hurricane Harvey and are now worshipping in a beautifully renovated sanctuary and breaking bread together in a newly remodeled parish hall! Our new organ was delivered and installed and sounds amazing. Because of our many blessings, we were able to help so many people in our community that had been severely impacted by Hurricane Harvey and Tropical Storm Imelda.

We have continued in our outreach ministry at the City of Refuge which is a homeless veterans’ shelter in Vinton, Louisiana, donating clothes and personal items and feeding the veterans who reside there. Several of our parishioners have recently graduated or are currently attending Education for Ministry (EFM) and the Iona School for Ministry.

St. Stephen’s Episcopal Church - Beaumont

There have been two different St. Stephen’s Beaumont parishes in 2019. Before Tropical Depression Imelda St. Stephen’s was a church continuing to slowly recover in the aftermath of Harvey. There was—if not a hopefulness—a dogged determination in the parish to return to the way things were before Harvey. There were many highlights during the year, including St. Stephen’s hosting the big Lenten Interfaith Preaching Series in Beaumont. Attended by members of local Episcopal, Lutheran, Presbyterian, Catholic, Baptist, Methodist, and Christian Church parishes and hosted in turn by each. The hosting of this weeklong event is a major undertaking (the closest we get to hosting the Olympics!) and the people of St. Stephen’s did an admirable job representing their parish and their

denomination. Our guest preacher, The Rev. Francene Young, impressed many people across the churches with her theme of Missional Communities, building an awareness in other parishes of the important conversations about the future of the church that we are having in The Episcopal Church. We were also taking early steps in a feasibility study with Missio Dei consulting services for a new capital campaign and excitedly expanding our childcare services in the community. We opened a new building and doubled the size of our teaching staff as we expanded in not only afterschool care but also full-day summer care and full-day care for infants and toddlers. Our parish membership was starting to see the first growth since the storm. We also began to slowly restore the depleted reserves in our parish budget after Harvey even while continuing to be committed to the long-term recovery of the community.

After Tropical Depression Imelda, St. Stephen's has been dealt a blow to the morale and financial well-being for which it was not prepared. Many of our parishioners or families flooded for the second time in two years. Many (including the parish itself) who were able to get by drawing on savings and had no reserves built for a second storm of this severity. Compared to the valiant response after Harvey, people in SE Texas after Imelda are weary. Since Harvey, St. Stephen's has lost half of its twenty highest giving families, either to relocation or death. Many more have suspended giving to the parish due to financial hardships. Aside from financial considerations, the amount of time people have to participate in outreach, formation, and fellowship has been constrained by the need to attend to damage or just fatigue. This sudden and dramatic change highlights for us just how fragile the recovery was. As we prepare to enter 2020, much of our work is tending to one another, providing comfort, and having serious and heartfelt conversations about the kind of mission and ministry St. Stephen's feels called to in the midst of this changed landscape. Many of the plans for the growth in the childcare programming and capital campaign about which we were so excited will need to be suspended, perhaps indefinitely. It is clear we have some difficult decisions to make but we will make them prayerfully and together as a community that loves and supports one another.

St. Mark's Episcopal Church – Beaumont

The 2019 highlights for St. Mark's include celebrating Fr. Tony Clark's retirement from the Army National Guard with CH (BG) Ed Brandt from the National Guard Bureau, returning over \$45,000 to the community with proceeds from our annual Chili Supper and Bazaar and Treasure House, sponsoring a chartered scenic Neches River Cruise, hosting a community wide art show, participating in the Matityahu Homeless Ministry, hosting the Interfaith Community Thanksgiving Service, incorporating the Daily Office as the Liturgy of the Word in the Holy Eucharist on a monthly basis, hosting Team Rubicon for over thirty days during Imelda recovery, welcoming Billy Hooper as the new Treasure House Store Manager, welcoming Jordan Williams, seven time Emmy award winner, as our new Organist-Choirmaster, and hosting Chris Dobson's Purple Heart ceremony.

Keith F. Giblin, Dean

SOUTHWEST CONVOCATION

This year, as has happened these past years in this part of the diocese, was marked by transition and by welcoming new ministries which has infused new life into our midst.

We were honored to welcome in the fold The Reverend Suzie Comer serving at St. Marks in Fort Bend, The Reverend Michael Paul serving as Rector of St. Thomas in Wharton & Jack Myers serving at St. Marks in Bay City. We were also pleased to welcome back The Reverend Mark Crawford to shepherd St. Catherine of Sienna after her longtime Rector, The Reverend Mike Besson, accepted a call to be the Archdeacon in the Diocese of West Texas back in February.

And in July The Reverend Paul Wehner retired as Rector of Calvary Episcopal Church in Richmond. He left a healthy parish which The Reverend Lecia Brannon is ably shepherding as Locum Tenens in the interim.

The Reverend Roy Varghese, Vicar of Good Shepherd Episcopal Indian Church, which proudly holds the distinction as the convocation's one and only Indian Community. Under his leadership the community is enjoying remarkable growth, especially this past year.

The Reverend Scott Thompson, Rector of Holy Cross in Sugarland reports that in July the vestry approved an exciting new purpose and process for being and making disciples based on a simple church model of ministry. This simple model is built upon steps of ever-increasing commitment, with a 4th step which keeps participants engaged in a process of never-ceasing spiritual growth. Step 1—Worship God Regularly (Every Lord's Day); Step 2—Grow Together Faithfully (Small group fellowship); Step 3—Serve Others Lovingly (In the church and in the world); Step 4—Mature in Christ Continuously (A goal deliberately pursued).

The Reverend Sharon Cox, Rector of St. Mary's Episcopal Church, West Columbia reports the Spirit moving in the following ways this past year; having celebrated The Rector's Installation conducted in January. As well, the parish enjoyed a mentorship with Mr. Bill Bullard, an Iona School of Ministry student, in his third and final year. Under Reverend Cox's guidance the parish participated in a number of outreach endeavors such as ringing the "Bells for Peace" in honor of the 100th anniversary of the ending of World War I on November 11th. As well, the parish collaborated with Columbia United Methodist Church in providing Thanksgiving Baskets for needy families in West Columbia. St. Mary's youth raised funds through a bake sale to purchase a new bicycle for a local, needy individual. The money left over was given to the Episcopal Relief and Development Fund and collaborated with West Columbia Elementary School to provide food and Christmas presents to five needy families.

Furthermore, 2018 giving was \$20,000 more than budgeted. For 2019, there will be a shift from Plate Giving to Pledge Giving of approximately 70 percent.

St. Mary's also began a wellness program by offering a yoga class on Thursday mornings beginning in January 2019. So much to celebrate such as being awarded the "Spirit" award at the 170th Diocesan Council for its enthusiastic volunteer participation in support of the General Convention held in Austin during the summer of 2018.

As Reverend Cox proudly reports, the people of St. Mary's did a good deal of spiritual work, inviting retired Canon Mary MacGregor to lead a vision-and-mission exercise which produced a new mission statement for St. Mary's. In conjunction, St. Mary's began to implement components of the Invite Welcome Connect program this year. Some of the work from this extensive soul-searching culminated in implementation of Safeguarding God's People and Children throughout the year resulting in an increase in the number of parishioners who received training and St. Mary's was invited to participate in the Diocese's 2019 Stewardship Cohort.

And this spurred much fruit, including one parishioner organizing a choral ensemble to sing an anthem during the Easter service this year and hiring a new organist.

St. Mary's was blessed to be awarded a youth program "Reboot" grant from the Perkins School of Theology at Southern Methodist University. The parish was one of eighteen to receive this grant out of sixty-two applicants.

For the second year, St. Mary's commissioned new lay ministers including a leader of a planned missional community. And finally, in their Christian Formation program, a new class for older elementary school students, was created in the fall. Teachers were recruited and trained. Certainly, St. Mary's is eager to move as the Spirit guides.

The Reverend Michael Paul reports that St. Thomas in Wharton continues her commitment towards those needy in the community with food and financial assistance to help pay their bills each Wednesday evening. As well, their Tuesday Bible study draws a number of people into the fellowship hall as they share their personal understanding of Scripture. They are now studying the book of Colossians having just completed the book of Job.

St. Thomas' thrift shop continues to welcome more and more people every day they are open. The Reverend Paul enjoys joining the volunteers every Thursday from 10:00AM to 1:00PM to hang clothes and be available to pray and listen to those shoppers who may need a pastoral ear. St. Thomas also led a community outreach event called Wharton Serve which is intended to invite the larger community of faith and city-at-large for a day of clean-up. It is a source of pride for the entire city.

The Reverend Stephen Spicer at Christ Church, Eagle Lake reports how the parish served 5025 lunches to the children of the community during the third summer-lunch-outreach. We also had our first entry in to the Eagle Lake Christmas parade and won the trophy for the "most unique" float.

The Reverends Travis Smith and Preston Weatherly report how Holy Comforter enjoyed another year of increased (and even new) outreach endeavors having record numbers for her Fish-fry dinners in Lent and rejoicing over her Peach Street Farmers Market's second anniversary in August. In the Fall, the parish was granted a Strategic

Mission Grant which will double parking capacity in the new year which will go a very long way towards bigger and better missional opportunities. As well, we spent a great amount of energy and effort revamping our Children's program and our homebound ministry. Both have enjoyed success since doing so. The parish also enjoyed partnered leadership with two Iona students, Mr. John Lothrop & Mr. Chris Weis. These two very capable leaders endeared themselves to the good folks of Holy Comforter. And finally, our Choirmaster hired four high school students to supplement our choir which has proven to be a source of pride to the parish.

As I have stated in the past, it continues to be true, God is indeed loving us and guiding us to more creative ways of sharing His Love and Life in all the parishes in this lovely convocation. And I know we each intend to increase all our efforts in the next year.

We continue meeting together on the fourth Thursday of the month hosted at Calvary, Richmond by the good graces of The Reverend Paul Wehner & The Reverend Lecia Brannon. We continue to draw closer as a group under the masterful leadership of Miss. Maureen Bacchi as our facilitator. She is truly cherished by us.

Travis Smith, Dean

WEST HARRIS CONVOCATION

In the West Harris Convocation, the clergy have gathered quarterly this year. In November we gathered for Noonday Prayer and lunch at St. John the Divine Episcopal Church. In January we gathered at West Houston Assistance Ministries for prayer, lunch, and a presentation about the ministry of WHAM by the CEO, The Rev. Mark Brown. In April we met for prayer, lunch and discussion at Holy Spirit Episcopal Church. After the summer we reconvened at Holy Spirit Episcopal Church in September with Bishop Hector Monterroso joining us. This has been a year of growth in our collegiality and mutual care and support and I continue to pray that God will bless the work of the Diocese in the West Harris Convocation.

The following clerical changes that have occurred since reporting for Diocesan Council in 2019 are as follows:

Ascension Episcopal Church, Houston called The Rev. Mark McDonald as the Rector

The Church of St. John the Divine, Houston called The Rev. Louise Samuelson as the Associate Rector

The Church of the Holy Apostles, Katy called The Rev. Alex Large as the Rector

The Episcopal Church of the Epiphany, Houston called The Rev. Patrick Hall as the Rector

St. Christopher's Episcopal Church, Houston called The Rev. Richard Houser as the Rector

St. Martin's Episcopal Church, Houston called the Rev. Jane Plackett-Ferguson as the Assistant Curate

St. Paul's Episcopal Church, Katy called The Rev. Mark Wilkinson as the Rector

Joshua T. Condon, Dean

CAMP ALLEN CONFERENCE AND RETREAT CENTER

Division of Diocesan Camps Camp Allen Conference and Retreat Center

Camp Allen had over 65,000 visitors last year including over 9,000 youth. This year had many significant accomplishments including hosting over 1400 events for churches, non-profits, families and universities. A record number of clergy attended the fall clergy conference at camp in October. Camp Allen employs 102 full time staff.

Camp Allen launched our 100 year anniversary campaign entitled the Centennial Fund. This fund encompasses 21 projects by the year 2021. The first 17 projects are now complete. The next large project is the camp wide dining hall for Campsite 4. This complex has been named The Bishop Doyle Center. The campaign has pledges of \$12 million to date with a goal of \$13 million.

The Camp Allen budget for 2020 is \$7,100,000 with a net surplus of \$333,000 before depreciation. The summer camp program continues to grow at a record pace of 1979 campers attending one of 24 sessions. The rate for a week of camp in 2020 is \$714. Camp Allen continues to closely survey its guests and to emphasize its theme of "Awaken Your Spirit in the Piney Woods."

George J. Dehan, President

2018 Audited Results (Camp Allen)

Revenues:

Conference Center Fees	\$3,383,119
Summer Camp Fees	1,161,237
Campsites and Cabins	472,535
Discovery Fees	742,360
Gift Shop Sales	151,585
Contribution/donations/events	659,685
Equestrian and other income	314,243

Total Revenues **\$6,884,864**

Expenses:

Conference Center	\$3,750,626
Summer Camp	1,361,858
Discovery	974,620
Campsite and cabins	368,478
Gift Shop	282,733
Equestrian expenses	161,366

Total Expenses: **\$6,899,681**
Net change before depreciation **\$-14,817**

George J. Dehan, President

CHAPLAINS TO THE RETIRED

Austin, Central and Northwest Convocations

I am honored to serve as Chaplain to Retired Clergy Households residing in the Western Region of our Diocese. It is good opportunity to hear some of the stories of faithful service and amazing ministries as well as letting our retired folks know they are remembered by the church they so faithfully served and, in many cases, still actively serve.

The Western Region is home to 101 retired clergy households (as of November 1, 2019). Of these households, 60 have retired from the Diocese of Texas and the other 41 households have retired from some other diocese. The households consist of 66 retired clergy with 55 spouses and we have 31 surviving spouses in our group.

Our Western Region is home to a total of 152 persons which is a large group of folks spread out over a large area and it is challenging to catch up with some of the flock. I do send a handwritten birthday card to everyone and as well as cards and calls in times of grief.

I plan and organize an annual luncheon hosted by the Austin area bishop. Forty people attended last year's luncheon and, in addition to offering great fellowship this event also served as a thank you and good-bye to Bishop Harrison. Our next luncheon, hosted by Bishop Ryan, will be in mid-January and invitations will go out in the next few weeks. Everyone receives a printed invitation as well as e-mail follow-ups.

Other communication and visits happen if Bishop Ryan or others hear of someone being ill or experiencing a challenging time. I have attended several funerals and seek to check on those who are grieving. I get a few calls for help with "who do I ask for down in Houston?" and "who at CPG is the best person to talk to about ...?".

My main goal for 2020 is to continue the project of checking if each person is connected with a local parish (if they wish to be) and that those who cannot attend church receive Home Communion (if they wish) from that local parish. One of the recurring needs of our retired clergy and spouses is transportation to various events, including luncheons, clergy conference, Christmas parties, etc. and I am always looking for volunteers to help with this. This September we had about 75 persons attend the Diocesan Retreat for Retired. The chaplains offer input to Bishop Fisher's office for this event and this last retreat was wonderful.

The Church Pension Group does a marvelous job of supporting chaplains, bringing us together from around the country for programs and conferences as well as supporting us with contact information for all retirees and always ready to help and support. In the past year I have attended the CPG national conferences in Denver, CO. It is a privilege to serve with our other chaplains; all of us get support and encouragement from Bishop Fisher and his office, especially thank you to Kathy Dunn.

Janne Alrø Osborne, Chaplain

East Harris and West Harris Convocations

The ministry of Chaplains to the Retired Clergy and Families in the Diocese of Texas is a program of the Church Pension Group designed to provide support to the pastoral ministry of the Bishops of the Diocese to the retired clergy and families committed to their care. Working under the supervision of the Rt. Rev. Jeff Fisher, Chaplains to the Retired in the Diocese of Texas minister to all retired clergy and families physically resident in the Diocese regardless of their canonical residency. With the appointment of an additional two Chaplains in 2019, our responsibility was reduced to those retired Clergy and families living in the East and West Harris Convocations.

Meetings/Conferences Attended:

1. Retired Clergy Christmas Luncheon December 13, 2018 in Houston hosted by Bishop Doyle.
2. National Conference for Chaplains to the Retired Clergy in Denver, Colorado May 13-17, 2019. Presented by the Church Pension Group
3. Diocese of Texas Retreat for Retired Clergy and Families September 30-October 2, 2019 at Camp Allen

Birthday Cards sent November 2017-October 2018: 144**Get Well/Condolence Cards sent: 3****Hospital Visits: 2****Funerals attended: 2****Telephone Calls: Numerous during Tropical Storm Imelda, others: 13****Pastoral Conversations and other contacts: 18****Christmas Cards sent: 90**

John R. Bentley, Jr., Chaplain
Pamela Z. Bentley, Chaplain

Galveston and Southwest Convocations

We have very much enjoyed our first year as chaplains to the retired. This is a program ministering to retired clergy and their spouses, surviving spouses of deceased clergy, and various other lay persons who have retired from employment in the church.

We are supported by Bishop Fisher's office as well as The Church Pension Group in New York. Sam and I enjoyed our first annual conference in Denver in May. We met chaplains from all over the US and were blessed to hear stories and receive new ideas of how to minister to the retired. While there we made phone calls to the retired in our diocese to inform them about various scams that are being directed toward retired persons. And we learned of the Story Corps where we can record stories of retired clergy to be stored in the archives at the Library of Congress.

We minister to 47 retired families in the Southwest and Galveston Convocations. In the past year we have sent 78 birthday and anniversary cards. We have attended 3 funerals and made 4 pastoral calls. I have had phone conversations with most retirees following tropical storm Imelda to check on each family's welfare. We also enjoyed gathering with other retirees at the Bishop's Annual Christmas Party for the retired clergy.

The chaplains had a conference call to plan for the Retired Clergy Conference in September and we participated in the execution of that conference. We have provided transportation for surviving spouses and offered assistance to others. We are looking forward to our ministry in the coming year.

Nan L. Doerr, Chaplain
Samuel P. Doerr, Chaplain

Southeast Convocation

Jo-Anne and I have just finished our first year as Chaplains to the Retires Clergy and Spouses in the northeast area of the Diocese. We are “feeling our way” into this new ministry of caring for those who have cared for others through the years. Some of the types of ministry that we have engaged in are:

- Telephone contacts with clergy and spouse and with clergy widows
- Sent cards to clergy and spouse and clergy widows in our area of assignment
- Followed the progress of those who have experienced serious illness
- Contacted all those on our list to encourage them to attend the Fall Retired Clergy Retreat at Camp Allen (30 September – 2 October 2019)
- Notifying Bishop Fisher when news of a Retired Clergy family illness was communicated to us
- We were scheduled to attend the National Church Conference for Chaplains to the Retired Clergy in May in Denver, Colorado, but we could not attend due to serious erosion problems at our home during severe thunderstorms in our area

We will be more engaged in our second year of ministry as we “feel our way” in the caring for those special people who have provided ministry to others through the years.

Robert and Jo-Anne de Wolfe, Chaplains

San Jacinto and Southeast Convocations

A year ago we were honored to be selected by Bishop Fisher to serve as Chaplains to the Retired in two convocations: Southeast and San Jacinto. Since we are located in Beaumont we are well acquainted with the retired in our convocation, and as time goes by we are becoming more acquainted with the San Jacinto folks.

There are approximately 40 retired clergy and surviving spouses in our two areas. We have tried to faithfully serve them in a variety of ways:

- Sending personal birthdays cards.
- Sending special occasion cards, get well cards, and sympathy cards when appropriate.
- Pastorally following up on situations with phone calls, encouragement and prayers and offering support to the family
- Making calls alerting retirees of fraud prevention
- Making hospital visits and home visits
- Attending funerals of those who have died
- Following Tropical Depression Imelda, contacted all on our list with a personal phone call, a message, or an email etc. to check on whether or not they had been affected by the storm. Many responded back and were most appreciative of the contact.
- Encouraged retirees/surviving spouses to attend the retired clergy gathering at Camp Allen by making calls and sending emails

Other things of special note:

In late April/early May Nancy attended the Provincial Retiree Gathering in Denver. It was a wonderful opportunity to network with other chaplains from the Diocese of Texas, make new friends from around the country and witness the amazing work being done by the chaplains. The workshops were both meaningful and information, the worship was glorious, and she was pleased to be part of the choir. Nancy gained a whole new appreciation for the fine work done by our national church on behalf of our clergy retirees and surviving spouses. The Rev. Laura Queen and Sean Scheller of CPG are treasures!

In early October we attended The Retired Clergy and Spouse Conference at Camp Allen and enjoyed connecting face to face with so many we had known through the years. A special thanks to Bishop Fisher and Kathy Dunn for their fine work in coordinating this conference and to the Diocese of Texas for financial support so that participants could attend at no cost. Nancy was honored to preach at the eucharist and gave a presentation on loneliness, based upon remarks made at the Denver Conference by Linda Trum.

In mid November we will gather with retired clergy households at Trinity Church, The Woodlands. This will allow us to be face to face and be more connected to those who live several hours from us. Save the date postcards have been sent out and we expect a fine time will be had by all. We are certainly looking forward to it.

Nancy and Bill DeForest, Chaplains

COMMISSION ON SCHOOLS

The Canonical duty of the Commission on Schools is to “publish Standards for Episcopal Schools in this Diocese, give general supervision to all such schools, and perform such other functions regarding such schools as the Bishop may require.” The Standards for Schools are published in the Commission Handbook & Directory which is found via a link on the “About Our Schools” page of the Diocesan website.

General supervision for the 57 Episcopal Schools is accomplished primarily via the Annual Report which heads of school and directors submit to the Commission Chair in October. The Commission met in August 2019 to discuss changes to the Report including a new question specifically addressing lay pensions. Bishop Doyle has not exempted schools from this requirement, so all Episcopal schools in the diocese should comply with General Convention resolutions regarding lay retirement benefits. Report responses indicate that 12 schools do not currently meet this standard; these schools were asked to explain the delay and describe plans for becoming fully compliant. This information has been shared with Zee Turnbull, Human Resources Manager for the Diocese, who enlisted the help of the Commission to increase awareness of the pension expectations.

Our schools are expected to begin an accreditation process when a sustained enrollment of 50 students or greater has been achieved. As of this report, 39 schools are duly accredited by 1 or more agencies. The most common accrediting body in the EDOT is

the Southwestern Association of Episcopal Schools (SAES) which accredits 31 of our schools. Other agencies include ISAS, NAEYC, AMS, and Advanced Ed. While 6 schools are exempt due to size (<50), 11 schools are not yet in compliance with this standard. Most of these are in some stage of the accreditation process, so the number of accredited schools should climb in subsequent Journal reports.

In a Diocese as large as Texas, one can expect some leadership transitions each year. Among our schools, 3 new heads/directors have been named since last year's report as follows:

April Butler, Interim Head at St. Luke's Episcopal School, Lindale
Kelli McLaughlin, Director at St. David's Episcopal Day School, Austin
Jerri Carrington, Director at St. Mark's Episcopal School, Richmond

Opening enrollment for schools in the EDOT was 11,323 students or 48 more than last year. We have 32 schools that serve infants up to Kindergarten and 9 schools serving high schoolers. This leaves 16 schools with up to elementary or middle school grades. Episcopal schools in this Diocese currently employ 2,487 people, full and part-time.

David C. Dearman, Chair

Annual School Report Summary, 2019-2020

EDOT Schools Total Number of Students: 11,323				
<i>Schools by Highest Grade Level Program</i>			<i>Schools by Total Enrollment Groupings</i>	
Preschool/Kinder (may include infant-Kinder)	3 2		with ≤ 50 students	8
Elementary (may include up to 5 th Grade)	5		with > than 50 students and < 300 students	39
Middle School (may include up to 8 th Grade)	1 1		with > 300 students	10
High School (may include up to 12 th Grade)	9			
Total Schools in the EDOT	5 7		Total Schools in the EDOT	57

<i>Other Stats</i>	
Total Minority Enrollment: 2,795 (approx... 25%)	Total Number of Employees: 2,487
Students Receiving Financial Aid: 1,503 (approx.... 13%)	

Schools with changed status from 2018-2019:
Holy Trinity Episcopal School , Houston, suspended its 6 th through 12 th grade operations with the 2019-2020 school year. The Board of Trustees made the strategic decision for the school going forward to focus on PK 3's through 5 th Grade.
St. Thomas Episcopal Preschool , Houston, is seeking SAES accreditation on its own and no longer reports with St. Thomas Episcopal School (K-12) , Houston. Recognizing this preschool as a separate reporting school brings the total number of schools in the EDOT from 56 to 57. Both schools are sponsored by St. Thomas' Episcopal Church.

Location of Schools by City

Angleton	Holy Comforter
Austin	All Saints'
	Good Shepherd
	St. Andrew's
	St. David's
	St. George's
	St. Mark's
	St. Matthew's
	St. Michael's
	St. Stephen's
	Trinity
Bastrop	Calvary
Beaumont	All Saints'
Bellaire	Episcopal High
Bellville	St. Mary's
College Station	St. Thomas'
Conroe	St. James'
Crockett	The Jordan School
Friendswood	Good Shepherd
Galveston	Trinity
Georgetown	Grace
Houston	Archway Academy
	Ascension
	Cathedral House
	First Steps Montessori
	Grace
	Holy Spirit
	Holy Trinity
	St. Andrew's
	St. Christopher's
	St. Cuthbert's

	St. Francis'
	St. Mark's
	St. Martin's
	St. Stephen's
	St. Thomas'
	St. Thomas' Preschool
	St. Thomas the Apostle
Killeen	St. Christopher's
Kingwood	Good Shepherd
LaGrange	St. James'
Lindale	St. Luke's
Longview	Trinity
Lufkin	St. Cyprian's
Marshall	Trinity
Missouri City	St. Catherine of Sienna
Nacogdoches	Christ
Pearland	St. Andrew's Academy
Richmond	Calvary
	St. Mark's
Round Rock	St. Richard's
Sugar Land	Holy Cross
Temple	St. Francis'
The Woodlands	Trinity
Tyler	All Saints'
Waco	St. Paul's
Woodville	St. Paul's

David C. Dearman, Chair

ST. VINCENT'S EPISCOPAL HOUSE

The Gospel of Jesus Christ calls us to be agents of Hope and Transformation in the lives of the poor and underserved. Our mission is to provide essential services and resources to families and individuals' to become self-sustaining and contributing members of the community.

St. Vincent's House currently offers the following services to support and build stronger, healthier and more resilient communities:

Health and Wellness Services

- University of Texas Medical Branch (UTMB) partnership to provide Free and Reduced-fee for service for primary health care clinic services'
- Dental Services- UTMB partnership- Extractions' and preventative care
- Specialty Clinics' with UTMB Collaboration- Occupational Therapy/Physical Therapy
- Blindness Prevention Healthcare-collaborative

- Community Wide Health and Wellness Collaborative (Galveston County Health District, Coastal Health and Wellness etc.)
- Mental Health Services (Family Service Center partnership)

Community Health Partner Program Services

- SVH is a Certified Community Health Partner. Individuals can access online state benefits via a navigator/or benefits' specialist to assist them with the online application process for the following services: Supplemental Needs Assistance Program (SNAP), Temporary Assistance Needy Families (TANF), Children's Health Insurance Program (CHIP), Medicaid, Texas Healthy Women's and the Medicare assistance program.

Emergency and Financial Assistance Services- Direct Case Aid

- Food Pantry Assistance (in collaboration with the Galveston County Food Bank)
- Snack Packs for travelers'
- Hygiene Packs
- Adult and Children's diapers
- Rent, utility assistance and prescriptions (for homeless prevention)

Comprehensive Case Management Services

- Case Management-provides assessments for financial assistance as well as referrals to access available social service resources' that allow St Vincent's House clients to move towards self-sufficiency. The Case Manager also provides individuals with an individual self-sufficiency plan (ISSP) to support and promote progress towards a healthier and independent lifestyle.
- Case Management also offers Financial Literacy Classes utilizing the Money Talks Curriculum- to provide educational supports to individuals for sustaining a more self-sufficient lifestyle.

Transportation Services

- SVH provides transportation on the island, at no cost to those individuals' who need to access the grocery store, physician appointments, pharmacy and other essential services.

Shower Ministry

- SVH provides our Travelers with the opportunity to shower and have their laundry washed and dried by SVH volunteers every Wednesday.

Spiritual Support Services

- Morning Prayer (Daily)
- Holy Communion (Fridays at noon)
- Pastoral Counseling

Community Garden

- Volunteer(s) at St. Vincent's House Community Garden, gather for fellowship to grow and harvest fresh vegetables' and fruits'

St. Vincent's House welcomes community partnerships that foster growth, support education, healthcare, and other essential services for the families and individuals' who thrive to experience a transformational change in their lives.

Jeff Pitsenbarger, Executive Director

FINANCIAL CATEGORY SUMMARY* REPORT

*Summary by Categories Only

Organization Name: ST. VINCENT'S EPISCOPAL HOUSE

2018		2019	
Income		Income	
Total 4010 Affiliated Organizations	<u>\$ 285,000.00</u>	Total 4010 Affiliated Organizations	<u>\$ 150,000.00</u>
Total 4030 Foundations	<u>\$ 171,500.00</u>	Total 4030 Foundations	<u>\$ 65,077.00</u>
Total 4050 Grants	<u>\$ 91,764.00</u>	Total 4050 Grants	<u>\$ 62,784.00</u>
Total Income	<u>\$1,412,068.00</u>	Total Income	<u>\$ 352,293.00</u>
Gross Profit	<u>\$1,412,068.00</u>	Gross Profit	<u>\$ 352,293.00</u>
Expenses		Expenses	
Total Employee Payroll, Benefits, & Taxes	<u>363,289.00</u>	Total Employee Payroll, Benefits, & Taxes	<u>\$316,854.00</u>
Total Operating Expenses	<u>189,269.00</u>	Total Operating Expenses	<u>\$275,375</u>
Total Expenses	<u>\$1,357,358.00</u>	Total Expenses	<u>\$ 592,229.00</u>

Jeff Pitsenbarger, Executive Director

SEMINARY OF THE SOUTHWEST

Seminary of the Southwest forms men and women for the service of Christ in lay or ordained ministry within the church and the larger society. The seminary's vision is to be a community for formation and leadership within the church supported by a strength of program, endowment, and environment that assures excellence in theological and pastoral education.

The following core values describe what Seminary of the Southwest stands for and believes in.

- Hospitality: creating a common life that welcomes difference and ensures that all voices are heard
- Mutuality: nurturing a collaborative environment that promotes mutual inquiry and accountability
- Respect: cultivating the virtues of patience, justice, and charity, so as to affirm the dignity of every member of the community
- Rootedness: embodying the richness of the Episcopal and Anglican traditions in particular contexts, especially that of the American Southwest and its Hispanic cultures
- Celebration: glorifying and enjoying God in worship, prayer, study, service, and fellowship, so as to create a community of gratitude and gift
- Conversation: listening to and critically engaging a variety of cultural and religious voices in order to commend the Christian tradition and discover fresh wisdom

The primary commitment of Seminary of the Southwest is to the students' growth in the knowledge and love of God as witnessed to in Holy Scripture, the Creeds, and in the universal

and ecumenical traditions of the Church through the ages. The seminary's purpose is to foster Christian ministers who are faithful, imaginative, and skilled.

In the summer of 2018, Cynthia Briggs Kittredge began her sixth year as dean and president on sabbatical. Dean Kittredge appointed Dr. Scott Bader-Saye, the seminary Academic Dean, as Acting Dean and President in her absence. The focus of the seminary's leadership is the formation of Christian leaders in community for the vitality of the church and to advance God's mission of reconciliation. Dean Kittredge believes that critical engagement with scripture, tradition, and context, energized by imagination, and grounded in prayer is the center of formation for mission. In her role as dean and president, Dean Kittredge continues to form students at Southwest in creative and faithful approaches to biblical studies, early Christian history, Greek reading, and the embodied practice of liturgical leadership. Dean Kittredge is the eighth dean and president of Seminary of the Southwest. She was appointed in 2013 after serving on the faculty as the Ernest J. Villavaso, Jr. Professor of New Testament and as academic dean.

The seminary offers the following degrees and diplomas:

- Master of Divinity
- Master of Arts in Religion
- Master of Arts in Clinical Mental Health Counseling
- Master of Arts in Spiritual Formation
- Diploma in Anglican Studies

A total of 131 students enrolled at Seminary of the Southwest for Fall 2018. The 46 ordination track students are from the following dioceses: Alabama, Arkansas, Arizona, Atlanta, Central Gulf Coast, Colorado, Fond du Lac, Fort Worth, Long Island, Milwaukee, Mississippi, Nevada, New York, North Carolina, Northern California, Northwest Texas, Ohio, Oklahoma, San Joaquin, Southern Ohio, Texas, Vermont, Virginia, West Missouri, West Tennessee, West Texas, and Western Louisiana, Western Michigan, Western North Carolina

Eighty-four percent of students received institutional financial aid for tuition through the seminary's scholarship aid and work programs. Nearly all candidates for the Master of Divinity degree received 100% scholarship tuition aid and work study grants.

The faculty is made up of nineteen highly qualified, Christian scholars who hold faculty positions in Old and New Testament, Church History, Christian Theology, Christian Ethics and Moral Theology, Liturgics and Anglican Studies, Preaching, Church Music, Pastoral Theology, Spirituality, Theology and Arts, Leadership Formation and Vocational Pedagogy, Counselor Education, and Latinx Studies. The Faculty includes five administrators, the Very Rev. Cynthia Briggs Kittredge, dean and president; Dr. Scott Bader-Saye, academic dean; Dr. Gena Minninx, director of the Loise Henderson Wessendorff Center for Christian Ministry and Vocation; the Rev. John Lewis, director of the Iona Center; and Dr. Claire Colombo, director of the Center for Writing and Creative Expression. The faculty includes the Black Religious Scholars Group Crump Visiting Professor—a position that is filled annually with a scholar who helps us provide more diverse course offerings and convenes conversations about race on campus. Additionally, over 12 professionals from the Austin and San Antonio areas teach adjunct in the Center.

The Iona Center at Seminary of the Southwest houses the non-degree educational programming for the seminary. The Iona Center is comprised of six areas: Iona Collaborative;

CPE (Clinical Pastoral Education); Spiritual Care Education; Continuing Education; Lay Formation; and Vocational Discernment. John Lewis serves as Director of the Iona Center and the Iona Collaborative. Rebecca Hall serves as Director of Spiritual and Discipleship Formation. The Iona Collaborative now includes 29 active dioceses with 210 students nationwide. To date the Iona Collaborative has issued 105 Certificates in Theological Studies and 40 Certificates in CPE/Spiritual Care education to graduates of the program. In 2019 the Iona Collaborative launched the Thriving in Bi-Vocational Ministry continuing education program with 42 new and recently ordained clergy participants. This is the first year of a four-year program generously funded through a \$1M grant by the Lilly Endowment in their *Thriving in Ministry Initiative*. Lewis is serving as overall Project Director and Hall is playing a major leadership and teaching role in the program. The Iona Center also introduced in 2019 a 45-video collection of Christian formation teaching materials for use in congregations. Plans are underway for adding 25 more teaching videos to this congregational collection during 2020. Seminary faculty members continue to record video teaching courses for the Iona Collaborative curricula, as well as for the video collection series for congregations. During 2019 the Iona Center completed two units of accredited CPE and in July initiated two more year long units of CPE. Hall successfully planned three on-campus continuing education courses for clergy, counselors, and lay disciples during 2019. The Iona Collaborative also entered into a partnership with the Episcopal Preaching Foundation in 2019 for the production of 40 new homiletics teaching videos and recording is now underway.

The Seminary's financial position and operating results for the fiscal year ended May 31, 2019 surpassed projections. Total revenues — with and without donor restrictions — totaled \$12.2 million while expenses were \$8.05 million. On a consolidated funds basis, the Seminary's audited financial statements reflect an increase of \$4.12 million in net assets, of which amount \$2.05 million is unrestricted. The audited statement of financial position reflects \$65.6 million in assets, \$5.1 million in liabilities, and \$60.5 million in net assets. The statement of cash flows reports \$3.8 million in positive cash flow from operating activities.

Notably, the seminary reduced principal indebtedness by \$1.4 million during FY 2019 following the board of trustees' adoption of a long-term debt reduction plan. This year's resulting debt-to-assets ratio is 7.8%, a reduction of 25.7% over the prior fiscal year. The seminary's debt reduction plan is anticipated to eliminate all long-term financing by FYE 2023.

Oil and gas royalties and the sale of a small portfolio of mineral properties in Loving County, Texas totaling \$1.83 million contributed to positive financial results. Departmental spending was \$120,000 under budget. Prior to a non-cash charge of \$270,000 for depreciation expense, the general operating fund nevertheless produced a net operating loss of \$384,230, as reported in the internal statement of budgeted financial activities. Contributions to the seminary's \$20 million Capital Campaign reached \$11.45 million from program inception through FYE 2019, of which amount, \$1.96 million was pledged by dioceses and parishes around the United States.

During 2019, the seminary undertook a comprehensive review of its relationship with its investment portfolio consultant. An ad hoc task force of the Investment and Finance Committee evaluated the qualifications and proposals of three investment managers. In May 2019, the board of trustees, upon the recommendation of the committee, appointed The Episcopal Church Foundation (ECF) of New York as the seminary's new investment manager and State Street Global Advisors of Boston as the seminary's portfolio manager. The addition

of the seminary's portfolio brings assets under management in ECF's program to over \$400 million serving over 290 clients, from small parish endowments to multi-million dollar accounts for numerous dioceses, institutions and cardinal parishes throughout the Episcopal Church. ECF works exclusively with State Street Global Advisors, which manages \$2.8 trillion in assets, to provide comprehensive investment services for ECF's endowment management solutions program, of which the seminary is its largest institutional investor. Historically, the seminary's investment portfolio has increased by 8.1% in recent fiscal years, in line with similarly situated endowments of higher education institutional investors, slightly exceeding the seminary's stated return objective of 8%.

Seminary of the Southwest provided a 100% tuition scholarship to nearly every graduate student in its Master of Divinity degree program in 2019. In addition, full- and part-time students in most other degree programs were recipients of institutional financial aid funded by the seminary's permanent endowment.

The annual financial support of dioceses and parishes across the country is absolutely vital — and needed — in order to sustain the seminary's multiple-accredited programs of training and formation. A named endowment created in 1959 by St. Paul's Episcopal Church, Waco, and maintained at the seminary is an example of permanent legacy funding provided in support of Master of Divinity students. The seminary regularly invites dioceses and parishes to consider not only an annual fund contribution, but also the creation of a permanent named endowment to provide a seminary education for the church's future clergy.

The Clinical Mental Health Counseling (MHC) program offers a 63-hour degree designed for students seeking graduate-level instruction in professional counseling that prepares the student to pass the Texas state LPC qualifying exam and provides an opportunity to integrate professional counseling competencies with spiritual, religious and ethical values. All MHC courses address the knowledge, skills, and dispositions required for competent professional counseling practice in a diversity of settings. The four courses in spiritual integration provide additional Biblical, theological, historical, and ethical foundation for integrating spiritual, ethical, religious and multicultural competency with counseling theories and techniques.

In May 2019, the Rev. Dr. Dave Scheider retired as Center Director. Under his leadership the Center achieved CACREP accreditation for the counseling program, the launch of the Latinx Counseling Concentration, as well as the Spiritual Integration in Counseling focus. During his six years at the Center Rev. Scheider was crucial in obtaining just over \$6.4 million in grants to fund Center programs including tracks for health care, and school chaplaincy, and the military chaplaincy track in the Master of Divinity program.

In June 2019, Dr. Gena Minnix became the Center Director. Dr. Minnix began her association with the Center in 2013 as an adjunct instructor for counseling courses and in 2015 joined the seminary faculty as the first full-time Center counseling instructor, leading the counseling program through the accreditation process for successful CACREP accreditation. The experience, knowledge, and history that Dr. Minnix brings to the position insures a smooth transition.

Seminary of the Southwest enrolled 27 new students into the Master of Arts in Clinical Mental Health Counseling program in the fall semester of 2019. This number is double the amount of students enrolled in the previous fall semester.

The Master of Arts in Clinical Mental Health Counseling program at the seminary holds a CACREP (Council for Accreditation of Counseling & Related Educational Programs) accreditation, which provides recognition that the content and quality of the program has been evaluated and meets the highest standards set by the profession. Students and faculty can be assured that appropriate knowledge and skill areas are included and that the program is stable, professionally and financially. CACREP graduates may apply for federal loan forgiveness if working in qualified underserved areas.

The MHC program completed a period of expansion in summer 2019 with the addition of two full-time new faculty members, Marlon Johnson and Dr. Maria Spellings, bringing the total of MHC faculty to five. Mr. Johnson successfully defended his dissertation in the fall, and will receive his doctorate in December. The addition of a fourth and fifth core faculty member provides multiple, impactful benefits to our growing counseling program and assures compliance to CACREP accreditation standards, which are the highest in the counseling field.

Five MHC faculty members allow our program, for the first time in its existence, to provide an MHC Full-Time Cohort Model of Counselor Formation. This cohort model more closely resembles the formation approach of the Master of Divinity (MDiv) programs, and we have identified several advantages of this formation model over our current approach in the MHC program.

The benefits of an MHC Full-Time Cohort Model include:

- All 18 prerequisite counseling classes offered each year (Fall and Spring)
- Full-time students take the same classes in the same order
- MHC faculty could implement a developmental approach to curriculum design
- Class sizes would remain low, with space for MDiv/MSF students needing electives
- More frequent offerings when MDiv/MSF students need them
- MHC students no longer need to take courses online at other institutions
- Almost all counseling courses can be taught by full-time core faculty
- Allows room for enrollment to expand to 75+ without risk of exceeding our 1:10 ratio
- Simplifies advising – advising sessions can address vocational formation and professional dispositions
- Makes an MDiv/MHC double degree possible to complete in a reduced timeframe

Dr. Awa Jangha, Loise Henderson Wessendorff Assistant Professor of Spiritual Integration in Counseling, directs the Spiritual Integration in Counseling Scholars (SIC) program. This program emerged as a solution to a need identified nationally by the American Counseling Association and locally here in Texas for research and innovation in spiritually-integrated clinical mental health counseling practices. Texas remains one of the nation's more "religious" states, with the majority of Texas residents indicating some form of Christian faith affiliation, particularly in rural regions of the state. Being housed at an Episcopal Seminary opens doors for the Clinical Mental Health Counseling Program at the Seminary of the Southwest to lead the field in generating research and innovative practices for training and equipping counselors to meet the spiritual and religious needs of diverse client populations.

One of the goals of the spiritual integration in counseling program is to propel Seminary of the Southwest into a position of leadership in the spiritual integration in counseling field in Texas, and eventually nationwide. Due to our current and historical focus of integrating

spirituality and psychology in the counseling program, Seminary of the Southwest is uniquely positioned to develop methods to further implement spiritual integration skills into a counseling degree.

The second goal relates to teaching the teachers. Historically in the counseling field, matters of spirituality have been left to religious leaders, chaplains, and pastoral counselors—individuals not specifically trained to address matters of mental health and spirituality from the client's perspective. While spirituality is now recognized as an important factor to address in counseling, many experienced clinicians are not trained to do so and, unfortunately, these same clinicians have primarily taught and supervised students in counselor education programs. This grant will allow the Center to devote considerable time and effort to researching, understanding, and creating teaching methods for this important integration.

In partnership with the Episcopal Health Foundation, the seminary directs the Harrison Fellows Program which recruits, trains, and places licensed professional counselor interns in rural underserved communities. Harrison Fellows are graduates of the seminary's Clinical Mental Health Counseling program, equipped to provide spiritually-integrated mental health care services to diverse clients in rural Texas counties to address the shortage of mental health care providers in underserved communities.

The Latinx Counseling Concentration (LCC) at the seminary equips Clinical Mental Health Counseling students to work with Latinx clients to help address the shortage of bilingual/bicultural mental health care providers in the state of Texas. Approximately 40% of the population of Texas identifies as Hispanic or Latino, with 10.4 million of the Latinx individuals living in the U.S. currently residing in the state of Texas (Pew Research Center, 2016). Compared to White individuals, Latinx individuals are underserved by health care providers with nearly one-third of quality measures rated worse for Hispanics compared with non-Hispanic Whites.

The Latinx Counseling Concentration, coordinated by Dr. Stephanie Ramirez, is embedded within the Clinical Mental Health Counseling degree curriculum so students would not have to extend the length of their degree program in order to obtain their certificate. The concentration is comprised of six components which include: a differentiated curriculum, language proficiency, cultural plunge/immersion experience, community collaboration project, counseling theories workshops, and a field experience. The training of Clinical Mental Health Counseling students to work Latinx individuals and families in need is congruent with the mission of the seminary to form lay ministers for the service of Christ within the larger society.

The Master of Arts in Chaplaincy and Pastoral Care (MCPC) is a 72-hour degree designed for people interested in pastoral care in a variety of contexts. The core curriculum (4 courses) provides a biblical, theological, historical, and ethical foundation for pastoral ministry. Other required course work equips the student for general chaplaincy ministry in a variety of settings. Elective courses enable students to broaden and deepen their understanding of particular ministries in specified settings (e.g., hospice). The curriculum provides the requisite 72 credits specified by the Association of Professional Chaplains (APC) for recognition as a Board Certified Chaplain (BCC). The MCPC degree is one of the few nationwide that trains lay chaplains to meet the educational requirements for board certification in the Association of Professional Chaplains.

The MCPC degree was assessed through spring 2019 and the assessment committee arrived at the decision to recommend closure of this degree program due to low enrollment, coinciding with the launch of new Healthcare Chaplaincy, Military Chaplaincy, and School Chaplaincy tracks in the MDiv program. The seminary is in the process of fulfilling our commitment to the current MCPC students to assist them with completing their degree requirements. The seminary continues to offer a healthcare chaplaincy concentration in the Master of Arts in Spiritual Direction and Formation (MSF) degree to train lay chaplains who prefer not to become board certified chaplains. In contrast, a health care chaplain with an MDiv degree will now meet the academic requirements for becoming a board certified chaplain in the APC.

The Master of Arts in Spiritual Direction and Formation (MSF) is a 48-hour degree that engages the theology and practice of Christian spirituality and spiritual direction. The MSF is designed for students who wish to explore the spiritual tradition of the Christian path as well as for lay and ordained ministers seeking to develop skills in spiritual direction.

The core curriculum (4 courses) provides a biblical, theological, historical, and ethical foundation for pastoral ministry. Other required course work allows students to specialize in spiritual direction, spiritual formation, or health care chaplaincy. Students who desire to serve as spiritual formation leaders in parish, retreat, and Christian education programs follow the spiritual formation track, allowing them to tailor a program that culminates in a project that will help them define their future ministry. Students who desire to serve as spiritual directors follow the spiritual direction track, allowing them to make use of their academic degree in a spiritual direction practice. Students who want to work in health care chaplaincy follow the health care chaplaincy track to complete 15 hours of chaplaincy courses.

In Fall 2019 the practicum course for the MSF underwent a no-substantive change to reflect the vocational reality that not all MSF students are called or equipped to be spiritual directors. Therefore the practicum was expanded to include practicum training in spiritual formation or spiritual direction. The faculty also voted to require CPE training for those MSF students enrolled in the healthcare chaplaincy track.

Institutional Advancement (IA) had a year with many positive accomplishments, including raising over \$9 million dollars, one of the strongest fundraising years in the Seminary's history. The teamwork across campus with the dean leading the effort was extraordinary. Staff, faculty, students, alumni, trustees, committee members, and many friends contributed their time, talent, and treasure. The priorities of IA are guided by the SSW 2017-2020 Strategic Plan, and the department is poised to achieve its goals going forward.

This annual campaign provides essential financial support to our annual operations. Southwest Annual Fund is positioned for sustainability with strong performances each year. The focus this year will be to strengthen donor retention, grow the donor pipeline, and increase total dollars while ensuring broad based support at each level of giving. We continue to see an uptick in giving and are pacing well to finish strong at by the end-of-the-fiscal-year.

Work on major donor cultivation is ongoing and is led by IA Interim VP Charley Scarborough. Our efforts here include each member of the IA staff, Dean & President Kittredge and members of the seminary's Board of Trustees. We are continually stewarding existing major donor relationships as well as developing new relationships for both annual fund and endowed giving.

In November, the seminary welcomed back 40 alumni from across the country for the 52nd annual Blandy Lectures and Alumni Convocation. The seminary was honored to have Dr. Warren Kinghorn as the featured lecturer for the three-day gathering. This year, alumni and local clergy were able to pick between a wide range of continuing education topics, including sessions on Undoing Anti-Judaism in the Liturgy and Telemental Health- Ethics and Practice Considerations (mainly for counseling alumni). IA has made a concerted effort to visit with alumni across the country in order to continue building robust relationships. This year the focus has been cultivating relationships with alumni and engaging them in conversation about how the seminary can best serve them, their parish, their diocese, and their ministry. IA has also worked to recruit a diversity of graduates in varying stages of their ministry to serve as volunteers on the Alumni Steering Committee or on other projects.

The Monday Connection luncheon speaker series now in its twenty sixth year. The program's host committee selects outside speakers to discuss how faith has influenced their work.

The John Hines Legacy Society is an important and growing group that consists of friends who have made a gift provision for Southwest in their estate plans. The annual impact of these estate gifts to Seminary of the Southwest is significant. Seminary of the Southwest celebrates the life and legacy of our founder Bishop Hines each October with a Eucharist and celebratory luncheon.

The Office of Institutional Advancement is being led by Interim Vice-President, Charley Scarborough. Charley is an experienced and highly-esteemed fundraiser who has been tasked with leading the department while the seminary continues its search for a permanent replacement in that position. The seminary has hired Aspen Leadership Group to conduct a national search for this critical post.

Seminary of the Southwest is accredited by The Southern Association of Colleges and Schools Commission on Colleges and the Commission on Accrediting of the Association of Theological Schools of the United States and Canada. The seminary is also accredited by the Council for Accreditation of Counseling & Related Educational Programs for our Master of Arts in Clinical Mental Health Counseling degree.

An outstanding Board of Trustees chaired by the Rt. Rev. C. Andrew Doyle, bishop, Diocese of Texas, leads the seminary. Other trustees include Clarke Heidrick, executive chair, Diocese of Texas; The Very Rev. Barkley S. Thompson, Seminary Treasurer, Diocese of Texas; Dr. Dan Joslyn-Siemiatkoski, faculty representative (non-voting member), Seminary of the Southwest; The Rev. Morgan Allen, Diocese of Massachusetts; John Castle, Diocese of Dallas; John Clanton, Diocese of Texas; Josephine Hicks, Diocese of North Carolina; Shannon Hunter, Diocese of Texas; The Very Rev. Cynthia Briggs Kittredge, Ex Officio, Seminary of the Southwest; The Very Rev. Justin Lindstrom, Diocese of Oklahoma; The Honorable Lora Livingston, Diocese of Texas; The Rt. Rev. James "Jay" Magness, Diocese of Southern Virginia; The Rev. Harrison McLeod, Diocese of Upper South Carolina; The Rev. Nelson Mendoza, student representative, Seminary of the Southwest; Lynn Meredith; The Rev. Patrick Miller, Diocese of Texas; The Rev. Alex Montes Vela, Diocese of Texas; The Rev. Kathy Pfister, Diocese of West Texas; Liza W. Philpy, Diocese of West Texas; The Rt. Rev. Kathryn "Kai" Ryan, Diocese of Texas; Timothy Saunders, Diocese of Connecticut; The Rt. Rev. Brian Seage, Diocese of Mississippi; The Rt. Rev. John Smylie, Diocese of Wyoming; The Rev. Jemonde Taylor, Diocese of North Carolina; The Very Rev. Chadwick

Vaughn, Diocese of Atlanta; Kathleen Wells, Diocese of Ft. Worth; and Lesley Wilder, Corporation Secretary (non-voting member), Seminary of the Southwest.

Details about the seminary's programs, faculty and news can be found at <http://www.ssw.edu>.

Cynthia Briggs Kittredge, Dean and President

FINANCIAL CATEGORY SUMMARY REPORT

Organization Name: **The Episcopal Theological Seminary of the Southwest**

FYE 2019 STATEMENT OF FINANCIAL POSITION

ASSETS

Cash & Investments	45,378,526
Fixed (net)	11,333,815
Other	<u>8,921,592</u>
Total Assets	65,633,933

LIABILITIES AND NET ASSETS

LIABILITIES

Current	384,234
Non-current	<u>4,750,000</u>
Total Liabilities	5,134,234

NET ASSETS

Without donor restriction	12,822,195
With donor restriction	<u>47,677,504</u>
Total Net Assets	60,499,699

Total Liabilities and Net Assets 65,633,933

FYE 2019 STATEMENT OF FINANCIAL ACTIVITIES

Revenues	8,891,918
Expenses	
Program	5,506,993
Administrative	1,252,487
Fundraising [†]	<u>1,288,980</u>
Total Expenses	8,048,460

Change in Net Assets 4,119,365

[†] Includes Capital Campaign Fundraising

FYE 2018 STATEMENT OF

ASSETS

Cash & Investments	44,549,268
Fixed (net) and Other	<u>18,357,385</u>
Total Assets	62,906,653

LIABILITIES AND NET ASSETS

LIABILITIES

Current	376,319
Non-current	<u>6,150,000</u>
Total Liabilities	6,526,319

NET ASSETS

Unrestricted	10,769,819
Temporarily restricted	18,423,123
Permanently restricted	<u>27,187,392</u>
Total Net Assets	56,380,334

Total Liabilities and Net Assets 62,906,653

FYE 2018 STATEMENT OF FINANCIAL ACTIVITIES

Revenues	14,334,008
Expenses	
Program	5,111,615
Administrative	1,211,016
Fundraising [†]	<u>1,273,599</u>
Total Expenses	7,596,230

Change in Net Assets 6,737,778

Cynthia Briggs Kittredge, Dean and President

EPISCOPAL HIGH SCHOOL

Founded in 1983 by a group of Houston business and Episcopal Church leaders as an institution of the Diocese of Texas, Episcopal High School is an intellectual and spiritual community committed to educating the minds and hearts of students. Through the Four Pillars – academics, arts, athletics, and religion – EHS encourages critical thinking, intellectual risk-taking, responsibility for one's own actions, personal integrity, ethical awareness, respect for diversity, and individual leadership.

For 36 years, the School has responded to the needs and capabilities of each student, providing opportunities for growth and achievement in a Christian community that reflects the beliefs and traditions of the Episcopal Church. The School admits students of all races, colors, and national/ethnic origins to all the rights, privileges, programs, and activities accorded or made available to its students. The School does not discriminate on the basis of race, color, or national/ethnic origin in the administration of its educational admission policies, scholarship and loan programs, or athletic and other school-administered programs.

EHS is accredited by the Independent Schools Association of the Southwest. The School also holds memberships in the National Association of Independent Schools, the National Association of Episcopal Schools, the National Association of Secondary School Principals, the National Association of Principals of Schools for Girls, the Council for the Advancement and Support of Education, the Educational Records Bureau, the College Board, the National Association for College Admission Counseling, the Texas Association for College Admission Counseling, and the Southwest Preparatory Conference.

Under the leadership of Head of School Ned Smith, EHS is in its 36th year of operation with an enrollment of 750 young men and women from 65 zip codes across the Greater Houston Metropolitan Area. To reflect the community that the school serves, EHS strives to maintain a student body which represents social, economic, ethnic and academic diversity. In 2019-20 school year, we matriculated 215 new students who represent 60 different feeder schools. Approximately 26% of our students self-identify as students of color and 17.9% of our students are Episcopalians.

The School's faculty represents diversity in age, experience, and ethnicity. The student-to-faculty ratio is roughly 14 to 1 and 61% of our faculty hold advanced degrees. Together they teach 102 core academic course offerings (46 at the Honors or Advanced Placement level).

After years of fundraising and building, the School has established a premier campus that harmoniously reflects its academic, artistic, athletic, and religious programs. In the 2018-19 school year, generous gifts from parents, trustees, alumni, alumni parents, grandparents, friends, and foundations raised over \$2.47 million to support the School's \$26.9 million budget. Furthermore, 10% of our operating revenue is allocated to financial aid. The endowment fund ended the fiscal year with a market value of \$38.1 million.

Members of the Class of 2019 were offered more than \$20 million in scholarships based on their academic, artistic, and athletic accomplishments. The students were accepted to over 161 colleges and universities and are attending 73 different schools. Of the Class of 2019, 51% are attending private schools and 56% are attending schools in Texas.

These graduates join over 4,500 other EHS alumni spread across the country. The EHS Alumni Association, led by a directors' council, continues to coordinate class reunions, renew friendships, and participate in fundraising activities for the School. Currently, six alumni are on staff at the School.

The religious program includes daily chapel overseen by the Rev. Beth Holden as well as nine course offerings, parent education, and a number of special services (Founders Day, Grandparents Day, Advent Chapel, Ash Wednesday, Holy Week, and monthly Eucharists). Students of all religions and faiths attended the services. The vast majority of students served the community after school and on weekends by participating in service projects through the Nehemiah Center, the Houston Arboretum, Challenger Football and Basketball, the Race for the Cure, and many other social service agencies.

The athletic pillar thrived as more than 87% of students participated in one or more sports. The pillar offers six wellness classes, 52 teams and 15 sports. In 2018-19, boys' soccer brought home their fourth consecutive SPC championship title for EHS. EHS softball continued its legacy with another championship as well, capping off another excellent year of performance for student athletes.

The EHS arts pillar also experienced a year of success. We offer forty-seven courses in the arts and enjoy over 87% student participation beyond the four-semester requirement. Movie Making, Photography and Ceramics are the most popular courses. Productions included *Othello*, *12 Angry Jurors*, two Dance Concerts, two student-film festivals, *Fiddler on the Roof* and two student-directed one act plays.

Currently in a capital campaign, we are actively raising funds for the remaining three items on our campus master plan: a new performing and visual arts building, a new Benitez Chapel and renovated outdoor athletic facilities and fields. EHS is looking forward to these exciting improvements to the campus which will help our facilities reach the level of excellence that the school's Mission warrants. Great things continue to be ahead with God's help.

Mission Statement

Episcopal High School, founded and guided by the Diocese of Texas, is an inclusive and joyful Christian community where students discover and develop their individual talents through the Four Pillars – academics, arts, athletics, religion – preparing for meaningful lives in service to others.

Peggy Haney, Director of Advancement

FINANCIAL CATEGORY SUMMARY REPORT

Organization Name: **Episcopal High School**

	18-19 Final Budget	19-20 Final Budget
REVENUE		
Tuition & Fees	\$21,324,000	\$22,661,000
Annual Giving	\$2,365,000	\$2,585,000
Endowment Distribution	\$966,000	\$1,071,000
Other Income	\$300,000	\$378,000
Auxiliary Services	<u>2,011,000</u>	<u>2,188,000</u>
 Total Revenue	 \$26,966,000	 \$28,883,000
EXPENSES		
Compensation	<i>\$12,518,000</i>	<i>\$13,313,000</i>
Benefits	<u><i>\$3,588,000</i></u>	<u><i>\$3,637,000</i></u>
Compensation and Benefits	\$16,106,000	\$16,950,000
Instructional	\$1,501,000	\$1,779,000
Plant Maintenance	\$2,564,000	\$2,812,000
Transfer to PPRSM	\$420,000	\$600,000
Auxiliary Services	\$1,432,000	\$1,554,000
General and Administrative	\$1,895,000	\$1,969,000
Financial Aid	\$2,697,000	\$2,834,000
Tuition Remission	<u>\$351,000</u>	<u>\$385,000</u>
 Total Expense	 <u>26,966,000</u>	 <u>28,883,000</u>
 Surplus (Deficit)	 <u><u>\$0</u></u>	 <u><u>\$0</u></u>
 Capital Expenditures	 \$1,704,000	 \$600,000

Peggy Haney, Director of Advancement

ST. STEPHEN'S EPISCOPAL SCHOOL

St. Stephen's Episcopal School, a coeducational boarding and day school for students in grades 6-12, is a caring and diverse community, grounded in the Christian tradition that nurtures moral growth and values the potential and dignity of every human being. The school challenges motivated students to live intelligently, creatively and humanely as contributing members of society, developing the whole person by providing rigorous academic preparation, stimulating physical activities, and rich opportunities in the fine arts.

The school continues to benefit from the leadership of Christopher Gunnin, the twelfth head of school. Under Chris' leadership, St. Stephen's has continued to implement an ambitious, five-year strategic plan, Spark2023, with approximately 55 strategic initiatives. Six initiatives were completed and work on 50 initiatives occurred last year, year-one of plan implementation. Administration continues to focus on addressing the ISAS/SAES visiting committee's summary recommendations with particular emphasis on programs and curriculum. The school is committed to supporting student academic success and social-emotional development while providing an education that is relevant and successful in positioning graduates to be leaders in the 21st century.

Bishop Hines' founding vision of a talented and diverse student population is alive and well at St. Stephen's. The total enrollment of the school for 2019-20 is 694. Our 179 boarding students represent 10 states, 25 cities in Texas, and 19 foreign countries, bringing an unmatched diversity of race, ethnicity, and religion to our campus. Our 523 day students (199 in Middle School and 324 in Upper School) are from 37 different zip codes in the Austin area. Students of color represent approximately 30 percent of the enrollment, and approximately 45 percent when including international students. \$3.64 million in need-based, financial assistance was awarded to 131 students (19 percent of the student body). St. Stephen's admissions and enrollment trends are extraordinarily strong allowing the school to meet our strategic enrollment goals with well-qualified, mission-appropriate candidates.

Once again, we opened the 2019-20 school year on sound financial footing, having now balanced the operating budget for 15 years in a row. We closed out the 2018-19 school year by achieving a \$2 million goal for plant repair and maintenance reserves, maintaining a \$1 million cash liquidity goal, and receiving over \$1.8 million in gifts to the school's operating budget and an additional \$409,370 released for Emerging Scholars financial aid. Annual Fund giving remains healthy and strong with record participation numbers across constituencies.

At the conclusion of the school's last capital campaign, the Trustees directed the school to raise funds for the school's endowment. The focused, endowment fundraising initiative has yielded \$11.6 million to date. Over the last 10-year period, the Endowment Corporation has distributed over \$4 million to the School's operating budget. As of July

31, 2019, all assets of the Endowment, including pledges owed to the endowment, total \$25 million—an amount that has tripled over the last 12 years. In 2019-20, the School undertook a campus master plan update and a facilities assessment; this work has been completed and the resulting reports will serve as a roadmap for the impending capital campaign that will define and shape the campus for the next 20 years.

The Chapel program is at the center of the St. Stephen's campus and experience, and it provides significant opportunities for spiritual formation as well as student participation and leadership. Daily Chapel services include worship from the Episcopal tradition and an effort to celebrate our God-given diversity. On most days, prayers are offered, hymns are sung, and Holy Scripture is read with an intentional commitment to apply lessons to the school community and the larger world. On Sundays, the community worships together in the morning and a contemplative Eucharist service is offered in the evening.

The impact of spiritual development at St. Stephen's is evident in the commitment of our students to service to their community and around the world. Our students expended more than 10,000 hours of service to non-profit organizations this past year, including volunteer work with such organizations as Any Baby Can, El Buen Samaritano Episcopal Mission, Mobile Loaves and Fishes, and the tutoring and mentoring of students in the Breakthrough Program. Students are also engaged in global outreach, the best examples of which are service performed in India each spring, in Nicaragua every summer, and the school's continuing partnership with St. Etienne, an Episcopal school in Haiti. Faculty and student leaders in each division continue to work to focus service learning efforts on more quality projects that enable students to engage in meaningful service and reflect on their experience. In some cases, this has meant reducing the total number of hours, but enhancing the specific projects, so that students not only serve, but learn about societal issues and innovative solutions in the process.

The school continues to furnish its students with outstanding academic preparation. Over the last two years, its students' mean SAT scores equaled 1,368, and the average ACT composite score was 30.1. The 110 graduating seniors in the class of 2019 enrolled at 62 different colleges and universities, and 24 percent of the school's graduating seniors were recognized as National Merit Semi-Finalists, National Hispanic Scholars, or National Merit Commended students.

The 2019-20 school year is off to a great start, and we are optimistic about the future of St. Stephen's Episcopal School as it works to produce graduates who possess sharp minds, humble and serving hearts, and strong spirits.

Elizabeth C. Ozmun, Executive Chair

FINANCIAL CATEGORY SUMMARY* REPORT

*Summary by Categories Only

Organization Name: St. Stephen's Episcopal School – Austin, Texas

	2018-19	2017-18
Revenue		
Tuition	\$24,501,002	\$23,142,708
Fee Revenue	\$446,506	\$447,404
Other Revenue	\$435,342	\$193,327
Auxiliary Services	\$3,737,557	\$3,330,461
Total Revenue	\$29,120,407	\$27,113,900
Expenses		
Instruction & Student Services	\$13,128,461	\$12,054,492
Administration	\$4,637,574	\$4,595,308
General Institution	\$696,813	\$747,519
Plant Operations	\$4,614,288	\$3,301,234
Financial Aid	\$3,262,338	\$3,098,032
Remission	\$639,264	\$620,680
Auxiliary Services	\$3,728,421	\$3,370,751
Total Expenses	\$30,707,159	\$27,788,016
Gifts, Funding & Transfers		
Annual Giving - Unrestricted	\$1,249,826	\$1,175,240
Annual Giving - Restricted	\$605,827	\$659,145
Subtotal Annual Fund	\$1,855,653	\$1,834,385
Transfers & Endowment		
Transfer - Restricted Funds	-	-
Transfer - Restricted Endowment	\$585,276	\$585,276
Subtotal Transfers	\$585,276	\$585,276
Total Transfers & Gifts	\$2,440,929	\$2,419,661
Debt & Reserves		
Principal debt payments	-	-
Reserves	-	\$2,822
Total Debt & Reserves	-	\$2,822
Net Change in General Fund		
	\$854,177	\$1,742,723

Fiscal year runs from August 1 to July 31

Elizabeth C. Ozmun, Executive Chair

EL BUEN SAMARITANO

El Buen Samaritano Episcopal Mission finished its 32nd year of answering the call to serve the Latino community with educational, spiritual and wellness programs. We are grateful to our supporters and the Diocese of Texas who have helped create ladders of opportunity for families in Central Texas. Together, we are building healthy, resilient and vibrant communities by addressing the physical, social and emotional well-being of families.

Founded in 1987, our original programs consisted of a soup kitchen, a clothing closet, a food pantry and English as a Second Language (ESL) classes. In 1989, we started a medical clinic staffed by volunteer physicians and nurses. We continued to expand our services throughout the 1990s. In 2003, after a successful capital campaign, we moved to an 11-acre campus equipped with a medical clinic with 13 exam rooms; an education and outreach building with six classrooms and a larger food pantry; and a multipurpose building that also houses San Francisco de Asis Episcopal Church.

In July 2019, we continued our evolution by affiliating with Lone Star Circle of Care (LSCC) and transferring our clinic operations. El Buen and LSCC are working together to ensure the continued seamless transition of services. In addition, El Buen and LSCC are planning to focus our shared vision to address health equity, develop a value-based reimbursement model to support the social services we currently offer, increase access to care for many of our patients who have moved to surrounding counties due to affordability barriers in Travis County, and provide new access to specialty care like dentistry and optometry.

We are most grateful to the Episcopal Foundation of Texas and the Episcopal Health Foundation for helping build our capacity during the past 32 years. In the last year alone, this support has helped us maintain our status as a premier provider of quality health and wellness programs that are culturally appropriate and effective to more than 6,600 people.

Last year, El Buen continued provided emergency food assistance to nearly 4,400 people through our food pantry and community garden. We use a choice model in our food pantry, so clients select food just as they would in a store, including nonperishable staples, as well as fresh vegetables, fruits, dairy, and eggs. This approach educates and empowers clients to make healthy selections.

In addition, we offer health literacy programs to promote individual and community health. We know that health is not restricted to what happens in a doctor's office. That's why El Buen's health literacy programs focus on teaching clients about the social determinants of health, including information about how exercise and nutritional choices, stress, and their environment contribute significantly to their health outcomes. We believe this approach helps people navigate the healthcare

system, engage in self-care, and communicate effectively with providers.

Many families do not have access to the education and resources necessary to get ahead, and the barriers they face are intergenerational. Our family literacy programs help families overcome many of those barriers to success. Raising literacy for these families increases the wellness of the whole community. Of the nearly 700 students we served last year, more than half work either full or part-time. El Buen's comprehensive family literacy classes empower and strengthen an entire family's ability to improve their physical, emotional and financial well-being. In addition to English as a Second Language, students can also improve their digital (computer) literacy and work with a job coach to establish and meet education and career goals. For elementary and middle-school students, we offer year-round tutoring and a summer camp.

Highlights of our impact in 2018-2019 include:

Improving Health: Provided care to 5,662 patients

- 17,544 medical visits
- 643 behavioral health visits

Creating Opportunities: Provided educational opportunities to 850 adults and youth

- English as a Second Language
- Computer Literacy
- Adult Basic Education in Spanish
- After school tutoring and enrichment
- Summer Camp

Fostering Community: Provided food and nutrition assistance to 1,271 households, serving total of 4,356 individuals.

Strengthening Families: Provided health education classes to 573 participants, including topics such as:

- Blood Pressure and Glucose
- Diabetes Education
- Stress Management
- Heart Health, Cancer Awareness, and Goal Setting

As El Buen looks to the future, we are grateful for the continued support of our Diocesan partners. Thank you for standing with us to serve our clients.

Rosamaria Murillo, Chief Executive Officer

FINANCIAL CATEGORY SUMMARY* REPORT

*Summary by Categories Only

Organization Name: El Buen Samaritano Episcopal Mission

Financial Category	2018	2019
Revenues and gains:		
Grants and contributions	\$ 3,920,876	\$ 3,049,584
Government grants and contracts	2,498,138	1,612,402
Patient fees	508,540	329,508
Return on investments	158,004	19,220
Rental Income	52,800	51,150
Program service fees	35,797	39,182
Other revenues	15,454	33,020
Total revenues and gains	7,189,609	5,134,066
Expenses and losses:		
Payroll and benefits	4,877,901	3,441,959
Professional services	686,615	832,784
Medical supplies and expenses	427,574	277,331
Equipment rental and maintenance	158,532	124,606
Depreciation	186,069	183,678
Miscellaneous	92,730	41,000
Facilities	212,232	192,450
Insurance	98,124	28,957
Program supplies and expenses	40,908	56,608
Communications	36,007	38,816
Information technology	52,155	21,761
Travel	24,122	17,280
Special program events	19,776	30,107
Interest expense	13,340	6,904
Dues and subscriptions	22,404	15,172
Professional development	27,938	9,005
Total expenses and losses	6,976,427	5,318,418
Change in net assets	\$ 213,182	\$ (184,352)

Rosamaria Murillo, Chief Executive Officer

EPISCOPAL CHURCH WOMEN

I am so pleased to report that our board has been working hard this year! We are looking forward to the upcoming year with a full board for the first time in four years! We are excited to have added a Chaplain to our board that will assist us with our retreats and Annual Meetings. It is difficult, at best, to report the many blessings that this Diocesan ECW board has been doing, and working towards. Here are just a few highlights:

- Spring Spiritual Growth gatherings were well attended in the Austin, Northeast and Galveston/Southwest convocations.
- This year we had an unprecedented number of Vera Gang Scott scholarship applications, and were pleased to award a total of \$7,000 to ten applicants.
- From children to seniors, our outreach grants this year have gone towards expansion of a ministry at St. Thomas the Apostle, Nassau Bay to help support the children and families with supplies, shoes, holiday meals and other needs as requested at a Title I school in Webster, Texas. The other outreach grant went to St. John's, Sealy to help with the expansion of a current ministry that will now be able supply personal care needs to residents of a low income retirement facility.
- Fair Share contributions have grown over the last year! Ongoing education of the clergy and vestries regarding ECW has been helpful for the increased number of churches making contributions. Out of 157 churches, we received contributions from 79 churches this year! Out of the continued effort in education of the importance of women's ministries in the Episcopal Church, much interest in restarting or starting ECW groups has also increased and we are hopeful that the number of participating churches will continue to increase.

Our 2019 Annual Retreat, held again at Camp Allen, was well attended with a theme chosen by our host church, St. Cyprian's, Lufkin. The theme "...renewed day by day" from 2Cor4:16 was the focus throughout the retreat beginning with a plenary guest speaker, Dr. Kelley Watts, a certified Brene' Brown Dare to Lead facilitator. We were honored to have Bishop Jeff Fisher hold a special workshop on "A Man's Reflection on the #metoo Movement". Other workshops included "The Practice of the Presence of God" with The Rev. Debbie Daigle, an ECW Board Panel discussion titled "Outreach Ministries: Past, Present and Future", "Living Wholeheartedly – Daily Renewal with God" with the Rev. Elizabeth Knowlton. A choir workshop and a hands-on craft workshop were also big hits.

I remain blessed and in continued awe at the amazing women that inspire so many and show that collectively, we are indeed the hands and feet of Christ in this broken world.

Trish Johnston, President

EPISCOPAL SENIOR FOUNDATION

Episcopal Seniors Foundation is the successor organization to The St. James House, Baytown, Foundation. With the proceeds of the sale of St. James House, Baytown, added to the existing funds, ESF has created a small grant-making organization designed to help support ministries to seniors across the diocese. As anticipated in last year's report, policies and guidelines for grants were posted on the diocesan website in the spring of 2019 and applications for grants accepted shortly thereafter. Due to the number and quality of the requests received, ESF made the decision to fulfill most of the requests and not to accept requests again until 2020 when more funds would be available.

The response to our request for grant applications was overwhelming, with requests received that far exceeded our available funds. We awarded a total of \$71,500 in grants for the year, ranging from \$500 to \$25,000. Two of the larger grants are for major projects and are for three years each. Some of the smaller grants will provide churches the funds to further define current ideas for ministries to seniors. Please watch for the article soon to be published by the diocesan communications department showcasing these ministries.

ESF anticipates another window for grant requests in the spring of 2020.

We invite your questions about the work of ESF and, always, for your continued prayers to accomplish our mission. Our website can be found through the diocesan website.

Pamela S. Nolting, President

FINANCIAL CATEGORY SUMMARY* REPORT
***Summary by Categories Only**

Organization Name: Episcopal Seniors Foundation

2018	2019
Year to Date 9/30/2018	Year to Date 10/31/2019
Beginning capital balance \$3,608,996.83	Beginning capital balance \$ 3,317,226.95
Withdrawals 834.00 Note A	Withdrawals (106,747.20) Note B
Contributions 2,806.06	Contributions 2,109.82 Note C
Capital Gains (Losses) 86.447.23	Capital Gains (Losses) 37,322.22)
Net Investment Income 35,164.15	Net Investment Income 39,159.94
Change in unrealized gains (losses) 2,806.06	<u>Change in Unrealized Gains (Losses) 385,117.93</u>
Change in Account Balance 56,903.51	Change in Account Balance 282,318.27
Ending Capital Balance 3,663,172.29	Ending Capital Balance (10/31) \$ 3,599,545.22
Note A: 5/2018 \$834 – Camp Allen for retreat	Note B, withdrawals: 1/2019 Fee to Diocese \$35,000 Grants: 1/2019 15,000 6/2019 56,500 Total Grants 71,500 7/2019 Taxes 247.20 Note C, Contributions: Mineral income \$2,109.82

Pamela S. Nolting, President

THE UNIVERSITY OF THE SOUTH

The University of the South is well known for its College of Arts and Sciences, one of the country's top liberal arts colleges; its seminary, one of 10 serving the Episcopal Church; and the Beecken Center, home of Education for Ministry (EfM), which has enlivened the personal ministry of more than 100,000 Christians. What is less well known is that this University, owned by 28 dioceses in the Sewanee Province of the Episcopal Church, is a center for learning that touches people of all ages.

Preparing for adulthood

Come to Sewanee for SUMMA and learn, through debate, how to connect reason, faith, and tradition, while also preparing for college with a rigorous introduction to critical thinking. Or participate in the Young Writers' Conference, Choral Institute, or the Sewanee Environmental Institute's field studies experience and develop a creative talent or learn more about the natural world.

On the path to the baccalaureate

Move successfully into adult life by earning a degree at the only University owned and governed by Episcopal dioceses. Study one (or more) of 36 majors, 43 minors, and 15 special programs, including an innovative civic engagement program that leads students to change the world for the better.

Getting ready for church leadership

Congregations raise up individuals who are called to ministry, and the School of Theology provides them rigorous academic training, grounded in a life of prayer and in the shape of the Anglican tradition. The result? Good priests, pastors, teachers, liturgists, and preachers, formed with a servant's heart to lead the church's service to the world.

We all have a ministry

EfM builds communities of mutual support and mutual discernment where participants study scripture, history, and theology and read and reflect on how God is calling them to work in the world. Invite Welcome Connect is a transformational ministry that equips and empowers clergy and lay leaders to enrich their practices of evangelism, hospitality, and connectedness. These offerings from the Beecken Center provide learning opportunities to Episcopalians and others whose fervent wish is to live lives of meaning.

Digging Deeper

The Advanced Degrees Program gives Episcopal and other clergy deeply embedded in ministry the opportunity to dig deeper in their understanding of their faith and gain new energy in their ministries.

Engagement with the Diocese of Texas

Donations from the diocese: \$4,000

Donations from churches of the diocese: \$9,729 Returns to the diocese in the form of financial aid to college students, seminarians, and ADP students: \$301,438 The average return on contribution for an owning diocese is about \$34 for each dollar donated.

Education for Ministry (EfM) groups: 28

Trustees: The Rt. Rev. C. Andrew Doyle, The Rt. Rev. Jeff W. Fisher, Bishop Suffragan, The Rev. Dr. Chuck Treadwell, Ben Okoh, Patricia Houser

College students: 14

Seminarians: 2

Advanced Degrees students: 3 plus 3 alumni.

Chuck Treadwell, Clergy Trustee